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DEVELOPING MANAGERIAL POTENTIAL AND
EVALUATING MANAGERIAL PERFORMANCE OF PERSONNEL
IN A DECENTRALIZED COAST GUARD
ORGANIZATION

by
William Scott Haight

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DEVELOPING MANAGERIAL POTENTIAL AND EVALUATING
MANAGERIAL PERFORMANCE OF PERSONNEL IN A
DECENTRALIZED COAST GUARD ORGANIZATION

BY

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Bachelor of Science

United States Coast Guard Academy, 1962

A Thesis Submitted to the School of Government and
Business Administration of The George Washington
University in Partial Fulfillment of the
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Master of Business Administration

June, 1969

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CHAPTER I

INTRODUCTION

Research Question

This thesis will attempt to answer this question: What is involved in developing managerial potential and evaluating managerial performance of personnel in a decentralized Coast Guard organization? To arrive at an answer, the following subsidiary questions must be considered:

1. What is the correct organizational system and managerial philosophy necessary to develop managerial potential of personnel in the organization?
2. What types of appraisal systems are utilized by government and industry?
3. What are the inherent errors associated with the existing appraisal system?
4. What approaches and what information are required to develop a new appraisal system?

Assumptions and Areas of Investigation

For the purpose of this thesis, personnel will be classified into two general categories. The first includes those individuals who have frequent personal interaction with their immediate superior. The second category is comprised of personnel who have limited interaction with their superior because of their position in a decentralized organization. The areas of investigation will be concerned with the problems

of personnel appraisal and development of an organizational system and management philosophy necessary to motivate personnel contained in the second category.

By the nature of its missions, the Coast Guard must be a decentralized organization. To render services assigned to the Coast Guard by federal statutes, the service has established field units that are physically distant from the next higher level in the organizational hierarchy. The individuals in charge of these field units can be placed in category two since there is limited personal interaction with their immediate superiors. This thesis is appropriate because although the organizational structure of the Coast Guard has changed to meet increased demands, the organizational system and managerial philosophy needed to motivate these field managers has changed very little.

Additionally, the appraisal system now in use permits evaluations to be based on impressions gained by limited personal interaction. This system tends to stifle motivation to use good managerial practices since the field manager knows his appraisal reports do not necessarily reflect his actual performance. This thesis will endeavor to develop a system that will permit the decentralized field manager to carry out his assignments in an environment that is conducive to maximum performance and to receive an evaluation that will accurately reflect his performance.

Limitations on the Areas of Investigation

In developing answers to questions in appropriate areas of investigation two difficulties were encountered. First, most literature concerning personnel appraisal and motivation is not directed specifically towards application in a military environment. Secondly, although personnel can be conveniently divided into two categories by the degree

on personal interaction. The theories of appraisal and motivation have not been so classified.

The Coast Guard is a service organization. The service to the public is rendered in large part by personnel in the decentralized field units. The individuals in charge of these field units must be motivated to develop proper managerial practices so that the public service is the most effective that can be established. The organizational system to be created may motivate the development of full managerial potential in both categories of personnel classification; however, the development is most critical in that part of the organization responsible for rendering public service which, by and large comprises the decentralized units.

The difficulty of applying theories not specifically directed towards a military environment turned out to be relatively minor. Generally, theories concerning organizational systems, management philosophy, and appraisal have been applied to the military situation with little modification. Some theories based on a profit motive are considered to be inappropriate in a military situation. However, substitution of efficiency for profit has application in some military organizations.

Once the managerial practices are developed, the theories of appraising the personnel using these practices must be applied so as not to destroy the motivation to continue using correct managerial procedures. The appraisal theories may work equally well for either of the two classifications of personnel, but in this thesis the theories will be utilized to complement the organizational system and management philosophy in creating good management practices by field managers in category two.

Organization of the Paper

Chapter II is concerned with a description of the current hierarchical structure of the Coast Guard and the problems inherent in such a structure. Problems arise from two sources. There are motivational problems due to conflicting desires made upon the field manager by various officers in the next superior organizational level, and because appraisals of performance do not always reflect the actual achievement.

Chapter III discusses different managerial philosophies and the types of organizational systems associated with these philosophies. The philosophies of Douglas McGregor, Rensis Likert, Edgar Schein, and Chris Argyris are investigated. The organizational systems developed by these behavioral scientists and Gordon Lippitt's existential approach to leadership are examined to determine the extent of their application by the military.

Chapter IV examines the present Coast Guard evaluation system and some systems presently employed by non-military organizations. Errors intrinsic in the existing Coast Guard system are analyzed to determine if they can be eliminated or modified. New approaches to personnel appraisal are evaluated to ascertain their desirability for use in a military fitness report.

Chapter V probes the appropriateness of various inputs to the Coast Guard appraisal system. Emphasis is placed on financial procedures; however, work load measurements and appraisal by objectives are also considered. Recent Department of Defense innovations on resource utilization and business profit budgets are investigated to determine applicability as inputs to the Coast Guard system.

Chapter VI consists of a summary and proposes revisions to the present Coast Guard organization and appraisal systems. The revisions are structured to be inter-related; however, each part of the total revision can be implemented at a different time. Additionally, a disagreement with one part of the proposal would not prohibit effecting those parts that are acceptable.

Research Methodology

The areas of investigation were determined by personal experience of the author. The problems considered by the author to be important were researched in various library sources. Preliminary conclusions were made once sufficient research material had been collected and analyzed.

Interviews were conducted with management personnel from both civilian and military organizations. There were two reasons for the interviews. One was to determine if the assumptions made by the author were valid, and the other was to decide if the conclusions and recommendations based on research data were logical.

CHAPTER II

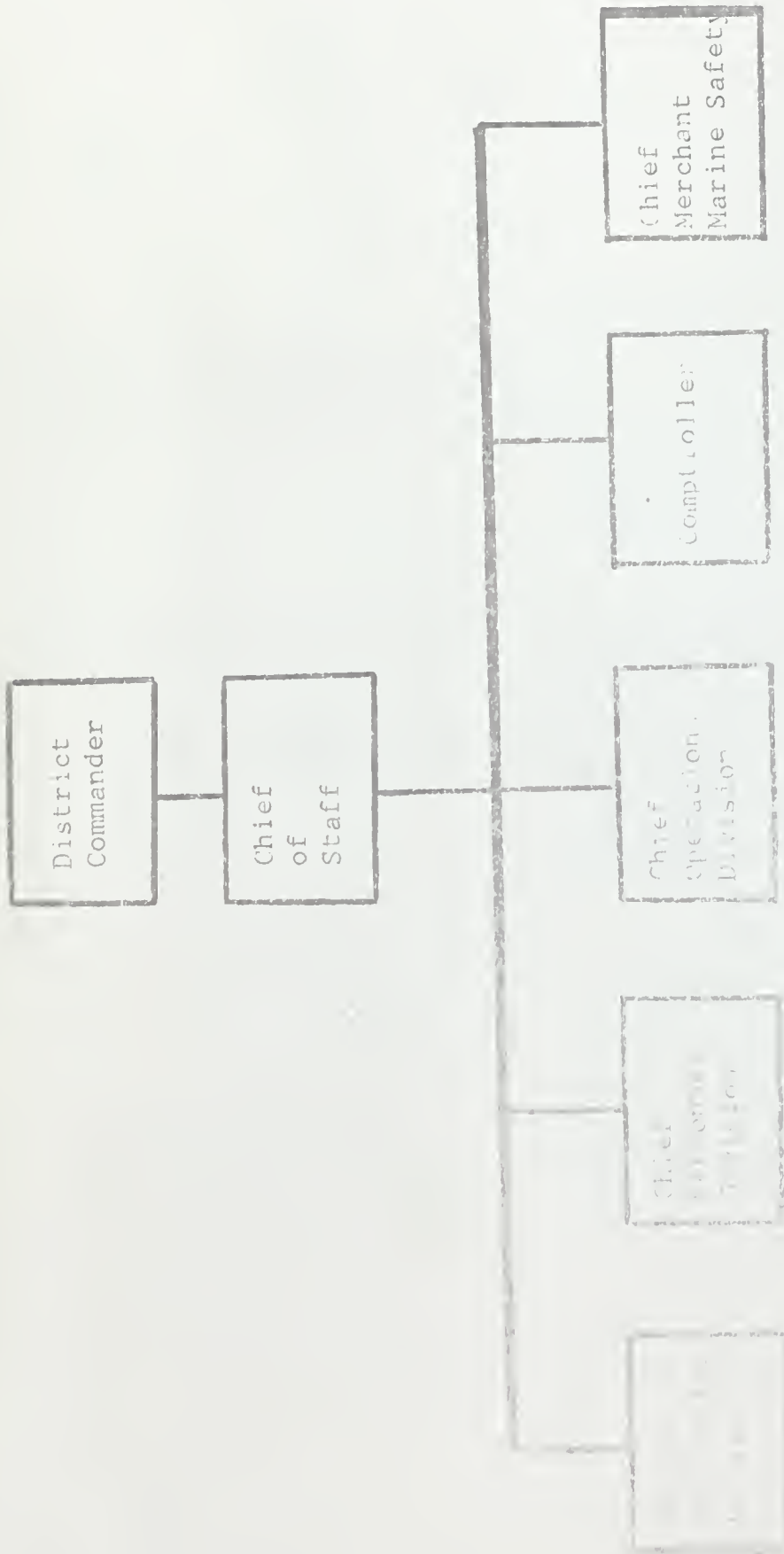
BACKGROUND INFORMATION ON THE COAST GUARD

Coast Guard Organization

The Coast Guard combines operational and administrative functions in one command. The service has twelve major district offices which exercise control over a specific geographic area. The district offices contain five divisions organized in a functional structure. Within the operations and merchant marine inspection divisions, the organization is oriented along a program framework. Figure 1 depicts a district organization. Figure 2 illustrates the program-oriented organization within the operations division. The task of implementing the various programs falls upon the field forces.

Field forces consist of lifeboat stations, cutters, aircraft stations, lighthouses, and merchant marine inspection offices. The growth of recreational boating and the subsequent increase of associated search and rescue missions taxed the existing organizational structure. To establish better supervision of the various units, an intermediate field level was established between the district office and the independent field commands. The group command exercises operational and administrative control over several lifeboat stations, lighthouses, and cutters in a geographic area.

In theory, the chain of command runs from the Commandant of the Coast Guard through the district commander, and group commander to the



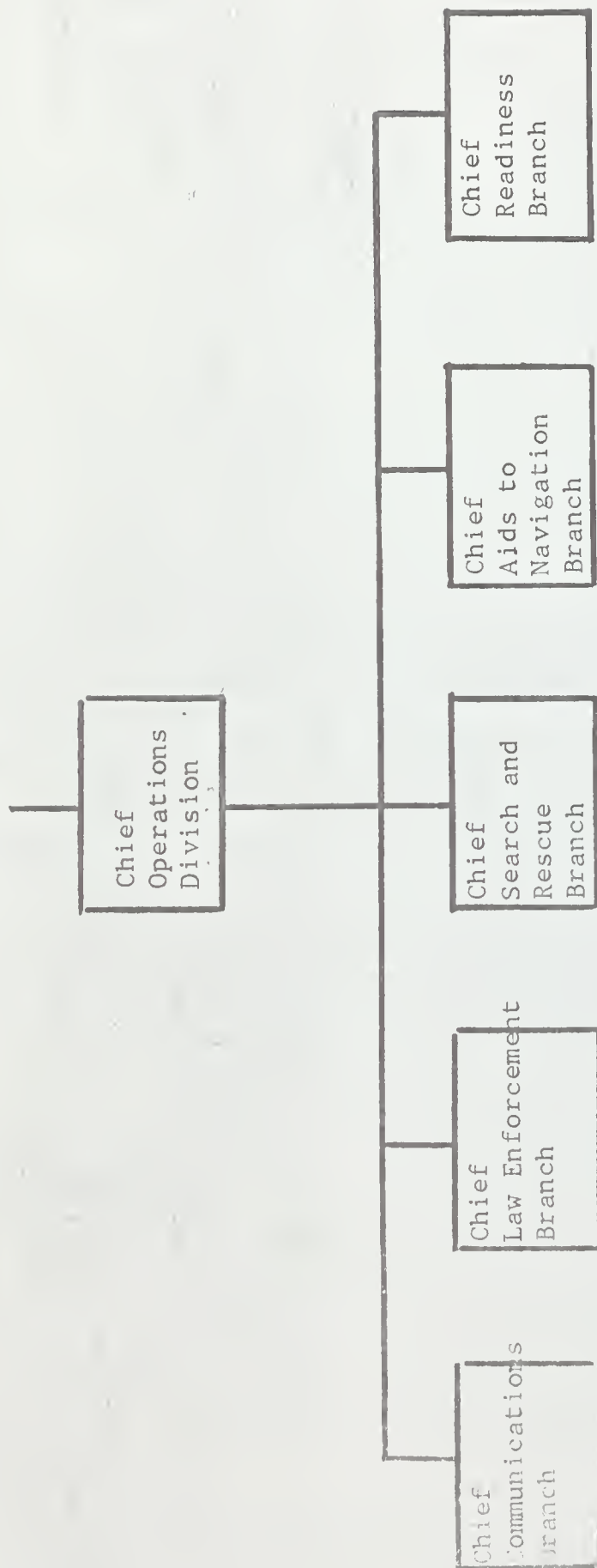


Fig. 2. Operations Division Organization

commanding officer of the field unit. However, the district commander usually delegates supervision of the field units to a division chief. This officer may further delegate this responsibility to one of his branch chiefs. In effect, operational control of field units, including group commands, is exercised by a staff officer two managerial levels below the district commander. Figure 3 illustrates both the theoretical and actual chains of command.

Coast Guard Programs¹

Search and Rescue

This program is concerned with the protection of life and property at sea. It requires the major allocation of resources, since all Coast Guard facilities are considered to have a search and rescue capability. In recent years, the growth of recreational boating has placed a heavy demand upon existing facilities. Search and rescue activities and the facilities designated as having search and rescue as their primary mission are controlled by the chief of the search and rescue branch of the district operations division.

Aids to Navigation

This program is designed to promote maritime safety on the high seas, coastal and inland waters. Facilities utilized for the implementation of this program include lighthouses, light ships, LORAN stations, buoy tender ships and boats, buoys and other unattended markers. Aids to

¹Neil F. Kendell, "The Problems of Allocating the Cost of Coast Guard Capital Outlays in the Planning-Programming-Budgeting System" (unpublished MBA dissertation, The George Washington University, 1968), pp. 3-7, and pp. 43-50.

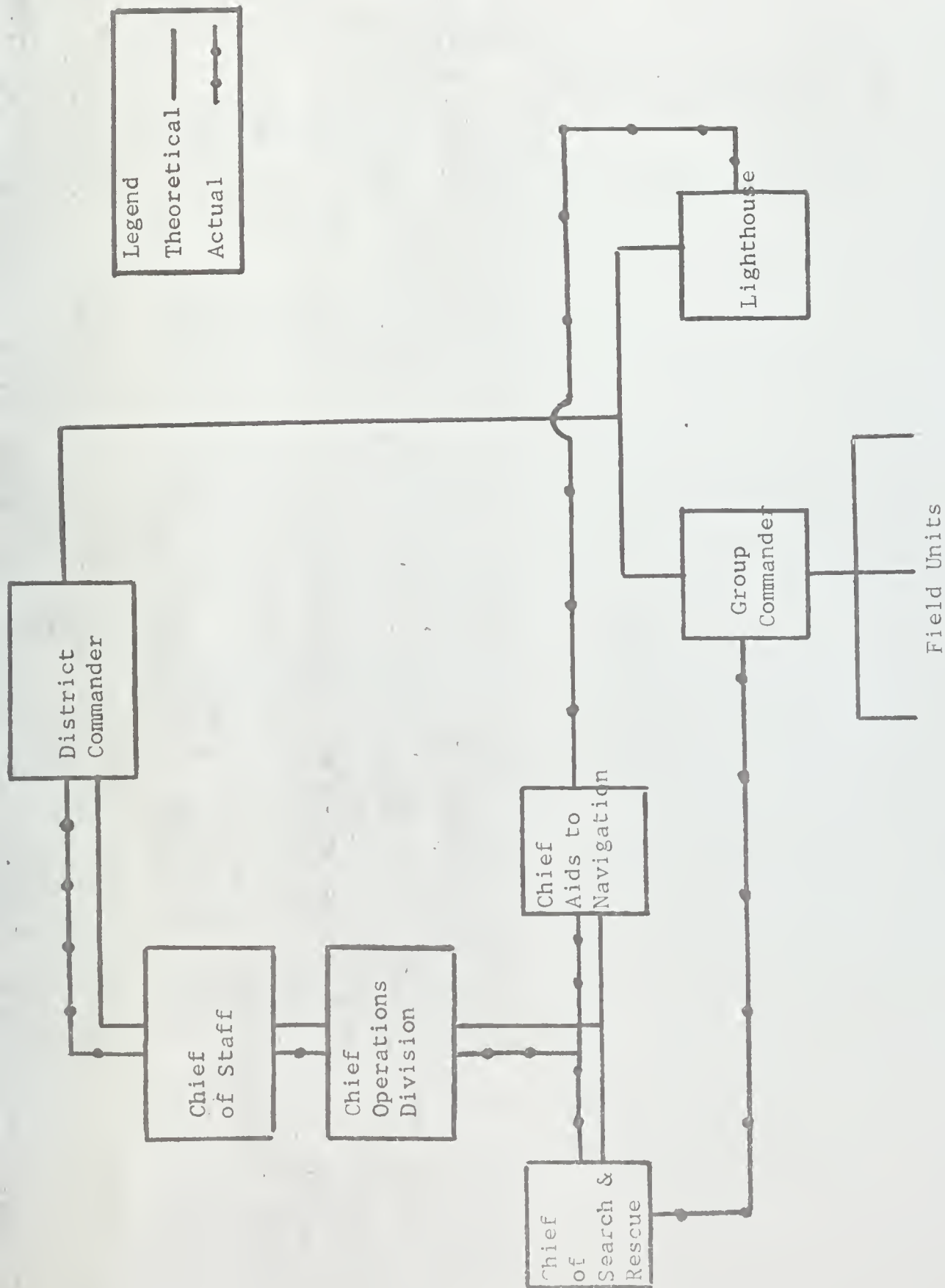


Fig. 3. Theoretical and actual chains of command.

navigation facilities and activities are controlled by the chief of the aids to navigation branch of the district operations division.

Enforcement of Marine Law and Regulations

This program covers a wide span of activities. The Coast Guard has often been called the government seagoing law enforcement agency. This means that the service has been designated to enforce all laws of the United States on any waters over which the federal government has jurisdiction. A majority of time is utilized in enforcing the motor boat laws. Virtually all Coast Guard facilities have some law enforcement functions. Law enforcement activities are controlled by the chief of the intelligence branch of the district operations division.

Oceanography, Meteorology, and Polar Operations

This program's purpose is to gather oceanographic and meteorological information in the Pacific, Atlantic, and polar Oceans. All major Coast Guard cutters are engaged in this program. These activities are usually controlled by the chief of the district operations division.

Merchant Marine Safety

This program is to promote safety at sea by establishing standards for ship construction, manning, and operation of United States registered vessels, licensing of merchant vessels and personnel and the investigation of maritime accidents. Due to the requirement for special knowledge, these activities are not controlled by the operations division, but by the separate division of merchant marine safety. Usually

the requirement of special knowledge prohibits other general Coast Guard facilities from participating in these programs.

Functional Missions

The remaining divisions in the district organization support the operations and merchant marine divisions so that the various programs can be accomplished.

Although the operations division is considered line, in some instances it exerts less control over the field units than some of the other district staff divisions. For example in operating funds administration, the engineering department controls four major maintenance funds, while the operations division controls only one fund, fuel.² The engineering division can influence the action of field unit commanding officers by varying the amount of funds that could be granted for maintenance of structures and vessels.

Problems Inherent in the Present Organization

Since there exists only limited opportunities for personal interaction between the superior and the field commands, evaluations tend to be based on impressions gained at two or three meetings. This is true even though there are many reservoirs of information in the district offices concerning group commanders and commanding officers of field units that could be available to the evaluating superior.

The accepted principle of delegating supervision of the field

²U.S. Department of the Treasury, U.S. Coast Guard, The Manual of Budgetary Administration (Washington, D.C.: Government Printing Office, July, 1962), pp. 1(11) - 1(12).

units to an officer two managerial levels below the district commander compounds difficulties in the situation. The officer who eventually supervises the field unit is usually a specialist in one program area. He will pay particular attention to the activities which fall within his area of specialization, and might not be aware of the other activities carried on by the field unit. For example, the group commanders are normally supervised by the chief of the search and rescue branch because their primary mission is search and rescue. However, most groups also have aids to navigation and law enforcement missions. Additionally, if the group commander desires other than ordinary maintenance on the structures and boats within the group, he must accede to the wishes of the chief of the engineering division.

To whom does the field unit commanding officer owe his primary allegiance? Theoretically, as shown by Figure 3, he is responsible only to the district commander. However, he will probably give his allegiance to the staff officer writing his fitness report. The field unit commanding officer usually has secondary missions controlled by other district staff officers. Here is the problem inherent in the organization. The commanding officer of the field unit may be motivated to perform all his missions and administrative functions to the satisfaction of the district staff officer supervising these missions and administrative duties. However, the desires of some of these officers may be in conflict with the desires of the superior writing the field unit commanding officer's evaluations. Since the field officer knows he is being evaluated on limited information, he will attempt to give the evaluating officer only satisfactory inputs. With the possible result of performing

below his capability, the field officer will acquiesce to the desires of his evaluating superior.

This is an illustration of the type of organizational system and appraisal procedures that does not motivate the field officer to use good managerial procedures. This thesis will attempt to offer remedies to modify this type of organizational and appraisal system.

CHAPTER III

ORGANIZATIONAL SYSTEMS AND ASSOCIATED MANAGERIAL PHILOSOPHIES

Existing Problems

Schein recognizes allocation and effective utilization of human resources as the primary problem of organizations. Motivation of people is listed as the second most important problem.¹ The concept of motivation Schein believes can best be explained in terms of a psychological contract.² The contract between the individual and the organization stipulates what the organization can or cannot do to the individual, and what the individual is to give or not to give to the organization. The organization believes that the contract is implemented through the acceptance by the individual of the organization's authority. The individual perceives the contract is implemented if he can influence the organization so that the organization will not unduly exploit him. Schein lists the integration of the components of the organization into an effective system as the third major problem.³ This problem complements the problem of motivation. Integration as well as motivation can be enhanced with improved communications and improved interaction of the organizational components.

McGregor believed that management's main problem is to develop

¹Edgar H. Schein, Organizational Psychology (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1965), p. 10.

²Ibid., p. 11.

³Ibid., p. 13.

the full potential of the individual. He stated that the performance of the individual was a dependent variable of the relationship between certain characteristics of the individual, and the environmental situation existing within the organization.⁴ These relationships imply certain actions by management. McGregor asserted that management must create conditions so that the goals of the individual are integrated with the goals of the organization. This can be accomplished by a combination of intrinsic and extrinsic rewards associated with performance of the individual's job.

Likert is primarily concerned with leadership, communications, and group processes.⁵ He parallels McGregor in believing that management's first concern is developing the individual so that the individual can contribute to the organization. Likert maintains the solution to the problem is through effective leadership. This is a slight variation of McGregor. McGregor believed the environmental factors could be manipulated to satisfy human needs; Likert believes that effective leadership can alter the environmental factors to support human needs.

Argyris offers another modification to the problem of development of the individual. He argues that an individual must experience psychological success.⁶ This is dependent upon the individual's self-responsibility and self-control, commitment to achieve his goals, productiveness

⁴ Douglas McGregor, The Professional Manager, ed. by Warren G. Bennis and Caroline McGregor (New York: McGraw-Hill Book Company, 1967), p. 5.

⁵ Rensis Likert, New Patterns of Management (New York: McGraw-Hill Book Company, 1961).

⁶ Chris Argyris, Integrating the Individual and the Organization (New York: John Wiley and Sons, Inc., 1964), p. 27.

and work, and utilization of the individual's more important abilities. Different opportunities for psychological success are provided by the nature and tightness of managerial control or the leadership styles of management. Argyris states:

The more directive, production-centered, structure-oriented the manager, the less the probabilities of his creating opportunities for his subordinates to experience psychological success.⁷

Schein, McGregor, Likert and Argyris believe the problem centers on enhancing the performance of the individual. The development of managerial performance is the concern of this paper. By combining theories presented by these authors, it is hoped a system can be established that will motivate the field manager to use his full potential. The complementary problem of evaluating this performance is important for two reasons. One, the appraisal system cannot be out of harmony with the motivational system or it might destroy the desire to develop full performance. Secondly, the appraisal system must recognize which managers are building a system which will show a long term advantage to the organization and which managers are achieving short run advantages primarily in hope of receiving a favorable fitness report. Likert notes:

Technically competent, job-centered, insensitive, and tough management can achieve relatively high productivity. The evidence clearly indicates that if this kind of supervision is coupled with the use of tight controls on the part of the line organization, impressive productivity can be achieved.⁸

Likert calls this a hierarchically controlled program. He notes that in a hierarchically controlled program while productivity was increasing in the short run, there were shifts in an adverse direction in

⁷ Ibid., p. 30.

⁸ Likert, New Patterns, p. 59.

such factors as loyalty, attitudes, interest, and involvement in the work. Additionally there was a high turnover of personnel in the hierarchically controlled program.⁹

Similarly, Argyris reports the more the superior structures, directs, and controls the individual the probability of personnel turnover increases. After turnover increases the next mode of adaptation to the managerial style is aggression against those who the employees feel are causing the frustration and conflict. The aggression can be expressed in various ways including such activities as goldbricking and slowdowns.¹⁰

LCDR. John R. Sproat and LCDR. Robert S. Tuneski stated that an individual assigned as a commanding officer of a decentralized unit usually experienced a decline in his fitness report marks.¹¹ Sproat attributed this to a lack of frequent personal interaction with his superior. He cited examples where commanding officers realizing that they would be judged on the impressions gained at only a few contacts have employed a managerial strategy similar to those reported by Likert and Argyris. Most assignments as commanding officer of a ship are from one to two years in length. The commanding officer of a ship, Sproat noted, could elicit a better than average performance from his unit by utilizing a hierarchically controlled management philosophy for the length of his tour. When this commanding officer is transferred, the long term effects of hostility, resentment and turnover evoked by the hierarchically controlled style are beginning to surface. The fruits of this harvest fall

⁹ Ibid., p. 68.

¹⁰ Argyris, Integrating the Individual, p. 61.

¹¹ LCDR. John R. Sproat and LCDR. Robert S. Tuneski, officer detailers, U.S. Coast Guard Headquarters, private interviews 26 February 1969, Washington, D.C.

upon the man who relieves the hierarchical style commanding officer.

McGregor pointed out a more fundamental problem of appraisal programs. He considered appraisals as a control device since evaluations are a process by which information about past performance is used to influence future performance. However, even though appraisal programs do yield some modification of future performance they also yield the following:

1. Widespread antagonism to the controls and to those who administer them.
2. Successful resistance and noncompliance.
3. Unreliable performance information.
4. The necessity for close surveillance.¹²

The heart of the control problem is identified by Tannenbaum.

He notes:

Organizations in a democratic society present a seeming dilemma. We are forever oscillating between two alternatives which seem mutually exclusive--on the one hand, collective efficiency won at the price of individual freedom; on the other, individual freedom equally frustrated by collective anarchy.¹³

A study by Norman Maier is cited by McGregor to illustrate another difficulty in performance appraisal. Separately, superior and subordinate were asked to define the subordinate's role. Maier reported:

The degree of agreement was not significantly different in companies that had formal appraisal programs and in companies that did not. One would expect, certainly that the agreement between managers and subordinates would be higher in the former case because of the periodic discussions of performance that would reveal the superior's expectations to the subordinate.¹⁴

¹² McGregor, Professional Manager, p. 118.

¹³ Arnold S. Tannenbaum, "Control in Organizations: Individual Adjustment and Organizational Performance," in Management Controls, ed. by Charles P. Bonini, Robert K. Jaedicke and Harvey M. Wagner (New York: McGraw-Hill Book Company, 1960), p. 313.

¹⁴ McGregor, Professional Manager, p. 47.

It would appear, based on this report, considerable variance exists between what the superior and the subordinate perceive the role of the subordinate to be.

Philosophies Leading to Different Organizational Systems

McGregor's Approach

Fundamental to most approaches in designing organizational systems is the managerial philosophy held by the system designers. The two most commonly referenced philosophies were designated by McGregor as Theory X and Theory Y.¹⁵

Theory X is described as the traditional view of managerial direction and control. It would include the following assumptions concerning human nature and behavior:

1. The average human being has an inherent dislike of work and will avoid it if he can.
2. Because of this human dislike of work, most people must be coerced, controlled, directed, threatened with punishment to get them to set forth adequate effort toward the achievement of organizational objectives.
3. The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition, wants security above all.¹⁶

Opposed to the assumptions of human behavior expressed in Theory X, Theory Y makes the following suppositions:

1. The expenditure of physical and mental effort in work is as natural as play or rest. The average human being does not inherently dislike work.
2. External control and the threat of punishment are not the only means for bringing about effort toward organizational objectives. Man will exercise self control in the service of objectives to which he is committed.

¹⁵ Douglas McGregor, The Human Side of Enterprise (New York: McGraw-Hill Book Company, 1960), pp. 33-43, 45-57.

¹⁶ Ibid., pp. 33-34.

3. Commitment to objectives is a function of the rewards associated with their achievement. This is not merely extrinsic rewards, but the satisfaction of ego and self actualization needs.
4. The average human being learns, under proper conditions, not only to accept but to seek responsibility.
5. The capacity to exercise a relatively high degree of imagination, ingenuity and creativity, in the solution of organizational problems is widely, not narrowly, distributed in the population.
6. Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.¹⁷

One may realize that the central principle of organization derived from Theory X is direction and control of employees through the exercise of authority. Theory Y advances the principle of integration of the goals of the organization with the goals of the individual.

The foundation on which the assumptions of Theory Y rest include the hierarchy of human needs theory proposed by A.H. Maslow. Maslow proposes that human beings have an organization of needs. These can be classified into one of the following categories.

1. Physiological needs. These are the needs for food, water, air and others required to satisfy the biological demands of the human organism.
2. Safety needs. These are the needs to be free from fear of deprivation, danger and threat on the job and off.
3. Social needs. These are the needs people have for gregariousness and social interaction. Men like to group together for purposes of life. They need to associate, to belong, to accept and to be accepted, to love and to be loved.
4. Ego needs. These are the needs for reputation, self-respect and self-esteem. Men need to feel competent and knowledgeable. They need respect, recognition, and status.
5. Self-actualization needs. The needs for the realization of individual potential, the liberation of creative talents, the widest possible use of abilities and aptitudes - in short, for personal fulfillment.¹⁸

¹⁷ Ibid., pp. 47-48.

¹⁸ Arthur H. Kuriloff, "An Experiment in Management - Putting Theory Y to the Test," reprinted from Personnel, November-December, 1963, p. 4.

The individual is selfish. His needs are never satisfied. As soon as one need is gratified, another need takes its place. In Maslow's theory as the lower needs are satisfied, the individual will seek appeasement of a higher need. However, these needs overlap, and are interdependent. A higher need emerges before a lower need is completely satisfied. Maslow has estimated that the average citizen is almost 85 per cent satisfied in his physiological needs, 70 per cent in his safety needs, 50 per cent in his social needs, 40 per cent in his ego needs, but only 10 per cent in his self-actualization needs.¹⁹

The high standard of living in the United States generally provides quite adequately for the satisfaction of physiological and safety needs. Once a need has become satisfied it is not a motivator of behavior. The use of control devices on which the assumptions of Theory X rely, such as rewards, promises, incentives, threats or other coercive devices are less effective on the higher needs. This does not mean that an individual would not leave the military for a civilian position paying a higher salary. However, if his military pay was sufficient to satisfy most of his physiological needs, and the majority of his safety needs were fulfilled, then if the individual was able to appease a satisfactory percentage of his ego and self-actualization needs in the military, he would tend to give considerable thought before transferring jobs only to satisfy a greater percentage of his lower needs. Put another way, this would mean if the military was unable to satisfy an individual's higher needs, that individual would accept a civilian position that could meet these needs.

¹⁹Ibid., p. 4.

Schein's Approach

Schein's central hypothesis is that whether a person is working effectively, whether he generates commitment, loyalty and enthusiasm for the organization and its goals, and whether he obtains satisfaction from his work depend upon two conditions:

1. The degree to which his own expectations of what the organization will provide him and what he owes the organization matches what the organization's expectations are of what it will give and get. [psychological contract]
2. Assuming there is agreement on expectations, what actually is to be exchanged for work and loyalty; opportunities for self-actualization and challenging work in exchange for high productivity, quality work, and creative effort in the service of organizational goals; or various combinations of these and other things.²⁰

Etzioni classifies organizations on the basis of two variables: the power and authority which the organization uses and the types of involvement which the organizational member has with the organization.²¹ The organization can exert pure coercive power, can exchange economic rewards for acceptance of the authority of the organization (utilitarian), or it can elicit employee involvement by offering an opportunity to perform a function for an intrinsic reward (normative). The employee can exhibit various involvements with the organization including: alienative, which means that the person is not psychologically involved but is coerced to remain as a member; calculative, which means the person is doing a day's work for a day's pay; and moral, which means the person intrinsically values the mission of the organization and his job within it, and performs it primarily because he values it.

²⁰ Schein, Organizational Psychology, pp. 64-65.

²¹ Ibid., p. 45.

A just psychological contract would be concluded between an organization using coercive authority, and an individual having alienative involvement; between utilitarian authority and calculative involvement; and between normative authority and moral involvement.

The psychological contract is determined by the assumptions management makes concerning the employees. If one assumes that an individual is motivated primarily by economic incentives, then the contract would be utilitarian-calculative. The managerial strategy which emerges from this contract is summarized as planning, organizing, motivating, and controlling the employee. Schein reports that an industrial organization operating on these managerial principles will seek to improve its overall effectiveness by worrying first about the organizational structure, and secondly about its incentive plans by which the organization tries to motivate and reward performance. Finally, to improve production, the organization will re-examine its control structure.

These assumptions are based upon McGregor's Theory X. This is probably the most common assumption made by organizations about their employees.

The psychological contract would start to shift towards normative-moral if the following assumptions were held. If one assumed that man was motivated primarily by social needs, the management strategy would include a shift from production-centered supervision to employee-centered supervision. Attention would be given to the employee's social and personal needs. The manager instead of being the creator of work, the motivator, and the controller would become the facilitator and sympathetic supporter. The self-actualizing man is related to McGregor's assumptions

underlying Theory Y. Basically, man is motivated by a hierarchy of needs, of which social needs is only one. A manager working under these assumptions would worry less about being considerate to employees and more about how to make their work intrinsically more challenging and meaningful. In the economic motivating and social motivating models, the psychological contract involves the exchange of extrinsic rewards for performance. The self-actualizing model calls for the exchange of opportunities to obtain intrinsic rewards for high quality performance.

Finally Schein states that man is a complex animal. This assumption means that there is no correct psychological contract or no one correct management philosophy. Since man is complex and highly variable, the manager must shift his strategy to meet the situation. However, this is too wide an assumption for this thesis. This could justify any behavior on the part of the manager. Etzioni's classification places peacetime military organizations in an utilitarian category.²² It would appear that, depending upon the situation, the military organization could obtain more effectiveness with less personnel turnover by moving towards a normative classification.

Argyris' Approach

Argyris focuses his approach to the design of the organization based primarily upon satisfaction of the ego needs. He uses the terms psychological energy and psychological success to describe the satisfying of these needs.²³ He states:

Organizations have many sources of energy. Psychological energy is one of these. This energy increases as the individual's experiences of psychological success increase. In order to

²²Ibid., p. 45.

²³Argyris, Integrating the Individual, p. 29.

experience psychological success, three requirements are essential: one, individuals must value themselves and aspire to experience an increasing sense of competence; two, the organization must provide opportunities for work in which the individual is able to define his immediate goals, define his own paths to these goals, relate these to the goals of the organization, evaluate his own effectiveness and constantly increase the degree of challenge at work; three, the society and culture in which the individual exists can influence him and the organization.²⁴

Once an individual has achieved a level of aspiration that has led to psychological success, his tendency will be to define a new level of aspiration which will be higher. Since psychological energy is a function of psychological success one may infer that there is no limit to man's psychological energy.

In establishing psychological success, the degree of trust and respect between the individual and management is very important. Argyris believes that when the climate of trust is low, the employees may gain part of their success by aspiring to break various management rules and getting away with it. Under a climate of mutual trust, the employees may be more willing to see the legitimate needs of the organization.

Organizations have implicit values about the effectiveness of human relationship. Argyris notes that it has been shown that these values can be internalized by those who advance in the managerial hierarchy and their behavior therefore is influenced by them. These values include:

1. The important human relationships are those that are related to achieving the organization's objectives.
2. The emphasis on cognitive rationality and the de-emphasis on the rationality of feelings and emotions.
3. Human relationships are most effectively influenced through unilateral direction, coercion, and control as well as by rewards and penalties that sanction all three values.²⁵

²⁴ Ibid., p. 34.

²⁵ Ibid., p. 100.

Argyris presents a series of consequences that would follow if participants advancing in the managerial hierarchy became dedicated to the values implicit in the formal organization. He argues that a system would be created in which the following characteristics would tend to decrease:

1. Receiving and giving feedback on the interpersonal level.
2. Owning and permitting others to own their ideas, feelings and values.
3. Openness to new ideas, feelings and values.
4. Experimentation and risk taking with new ideas and values.²⁶

As a result of the decrease of these characteristics, members of the organization will not be aware of their interpersonal impact on others and the individuals will tend not to solve interpersonal problems. Argyris believes this will decrease an individual's interpersonal self-awareness, and self-esteem, which will eventually lead to a decrease in the effective functioning of the organization. If individuals are unable to predict the effects of interpersonal contact on themselves and others, Argyris anticipates that this would cause feelings of failure. Then in order to protect the sense of self-esteem, the members of the organization would question the honesty and genuineness of the interpersonal behavior of the other employees. As interpersonal mistrust increases and as the capacity to cope with this mistrust decreases, members of the organization may tend to adapt by playing it safe.

This following illustration is given by Argyris as an example of what an organizational system can become as a result of decreasing interpersonal contacts. He states that between managers and their goals is a gate through which they must pass to reach their goals. This gate

²⁶ Ibid., p. 101.

is controlled by their superior who may keep the gate closed to some subordinates while permitting others to pass through. To get through the gate, the subordinates must meet certain criteria. One set of criteria concerned with professional and technical skills is usually established by the organization. Another set of criteria is concerned with the subordinate's loyalty, commitment, leadership skills and other subjective matters. This set is usually defined by the superior and is shaped by his own conception of himself, his leadership style, and his degree of organizational and psychological security. In order to play it safe, and increase as much as possible their chances for promotion, the subordinates will try to mimic the attitudes and actions of their superior. Secondly, as competition increases within the organization, the subordinates will play it safe by looking more towards solution of problems by the superior.

This increases the misconception that the superior is necessary. The subordinates will not make decisions, so the superior must. This reenforces the misconception because the superior believes he should be strong since the subordinates are weak. As a result, the superior increases his control and direction. This in turn causes the already dependent leader-centered subordinates to pattern their behavior in line with the new controls and directions. This may lead to organizational success, but it also leads to personal failure since the subordinates cannot experience any psychological success.

Interpersonal mistrust, conformity to organizational values, and dependence lead to a lack of psychological success, and less psychological energy. This would tend to increase organizational defenses, interdepartmental rivalries and less effective decision making.²⁷

²⁷Ibid., pp. 103-09.

Although Argyris appears to be citing an extreme example, his conclusions are reasonable. His solution to increase the effectiveness of the organization would be to increase the chances for an individual to experience psychological success by performing more meaningful tasks.

Likert's Approach

Likert approaches the problem of increasing organizational effectiveness by improving leadership, communications, group processes and other activities that effect the employee's higher needs. Leadership and the other processes of organization must be so structured that employees will perceive the experience as supportive. To be supportive, an experience must be considered by the individual as maintaining his sense of personal worth and importance.

Measurements reveal that managers achieving better performance differ in leadership principles and practices from those achieving poor performance.²⁸ Highest producing managers have a favorable attitude towards all other members of the organization, towards superiors, towards the work, towards the organization and towards all aspects of the job. They harness all of the major motivational forces which can exercise significant influence on subordinates.

Reliance is not placed solely on economic motives. The following motives are all used fully:

1. Ego motives.
2. Security [safety] motives.
3. Curiosity, creativity and the desire for new experiences.
4. Economic motives.²⁹

²⁸ Likert, New Patterns, p. 3.

²⁹ Ibid., p. 99.

The effective manager creates a grouping that becomes a tightly knit, effective functioning social system. He uses measurements of organizational performance primarily for self-guidance rather than for superimposed control. In addition to being oriented towards employees, the performance goals of the supervisor are also important in affecting productivity. If a high level of performance is to be achieved, it appears that a superior must have high performance goals and a contagious enthusiasm as to the importance of achieving these goals.

High producing managers do not use close supervision. Generally these managers make clear to their subordinates what the objectives are, and what needs to be accomplished. Then this manager gives the subordinates freedom to do the job. The probabilities are that freedom will lead to high performance only when there is a great deal of interaction among the individual, his colleagues, and his superior. This does not mean that the manager should always be present to insure the interaction.

Likert believes that supervisory and leadership practices that are effective in one situation might yield unsatisfactory results in others. Leadership is specific to the particular situation under investigation.³⁰ Lippitt suggests the use of a leadership continuum.³¹ This permits various styles of leadership depending on the situation. The continuum progresses from the left, where most authority exists in the leader, to the right, where most authority exists in the subordinate. Figure 4 illustrates this continuum. Starting on the left side of the

³⁰ Ibid., p. 90.

³¹ Lecture by Doctor Gordon Lippitt, 3 December 1968, at The George Washington University, Washington, D.C.

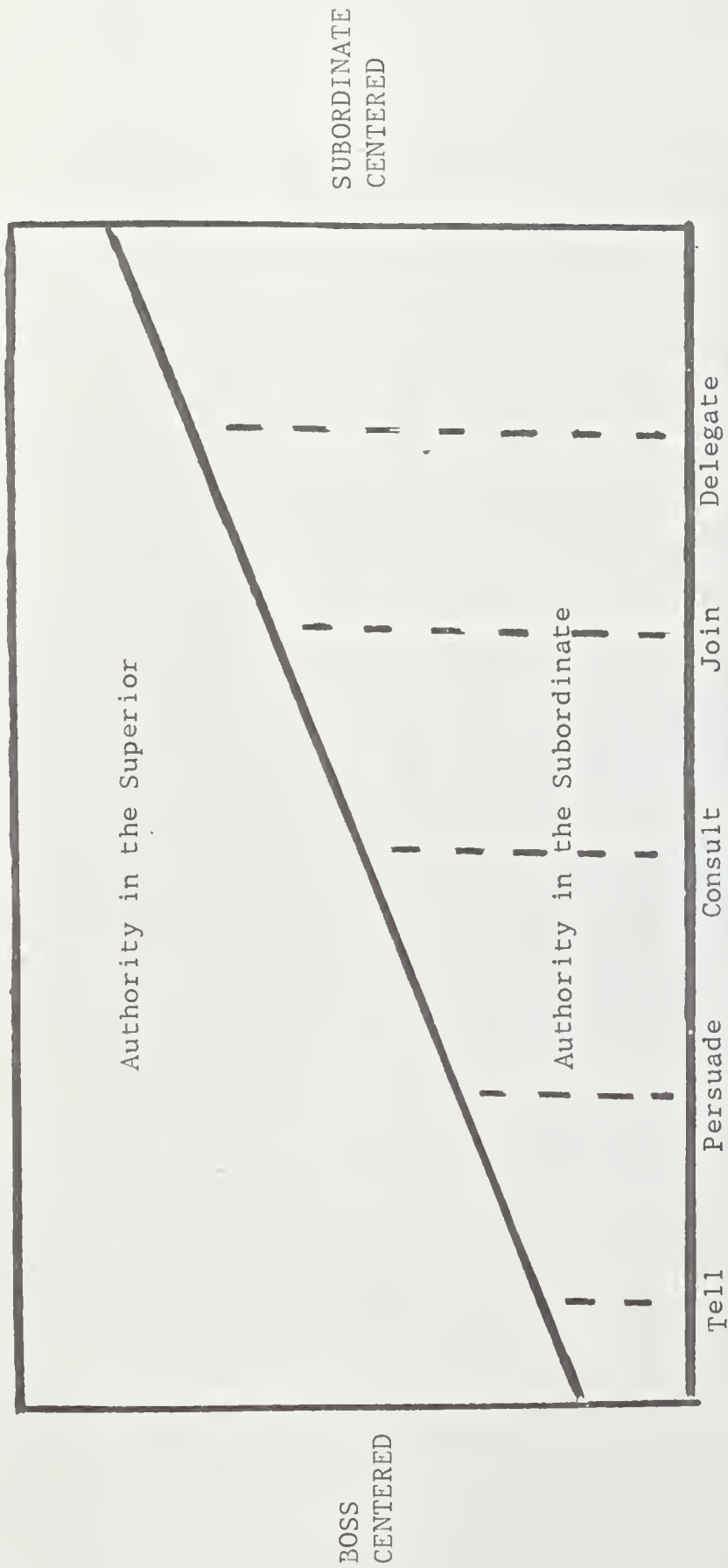


Fig. 4. Lippitt's Leadership Continuum.
Presented by Doctor Gorden Lippitt at a
lecture at George Washington University
3 December 1968.

continuum the superior would tell the subordinate what action is required. As one moves to the right along the continuum the superior would first tell, then persuade, then consult, then join, and finally on the right side of the continuum, delegate authority to the subordinates.

An effective leader would respond to the situation with the necessary style of leadership. There are three forces that affect which style the superior will utilize. Forces in the superior would include: the degree of confidence in the subordinates, his tolerance for ambiguity, and what skills the superior has. Forces in the subordinates include: their expectations, their ability to contribute, and their confidence in the superior. The last forces are those in the situation. These would include: the time available to the superior, the nature of the problem, and the nature of the organization.

The nature of a military organization would permit operation along the length of the continuum. Combat operations, for example, would be at the left side of the continuum, while morale and recreational items would tend towards the right side.

Another factor affecting organizational effectiveness is the use of group processes. Likert states:

. . . extensive evidence that productivity can be increased substantially and waste correspondingly lessened when the goals of the work group shift so as to become more consistent with the objectives of the organization.³²

The effective manager would build groups with high group loyalty among the workers. The members of groups with greater peer-group loyalty are more likely to have:

³²Likert, New Patterns, p. 30.

1. Greater identification with their group and a greater feeling of belonging to it.
2. More friends in the group and in the company rather than outside the company.
3. Better interpersonal relations among members of the work group.
4. A more favorable attitude towards their jobs and their company.
5. Higher production goals and more actual production with less sense of strain or pressure.³³

However, the manager should realize that high peer loyalty groups can also restrict production if the norms of the group specify that each member shall produce the same amount. The effective leader would try to establish norms that approve of superior work from various members of the group.

An effective functioning group pressing for solutions in the best interest of all the members and refusing to accept solutions which favor a particular member or segment of the group is an important characteristic of the group pattern of organization. This is in direct contrast to the main pattern of operation which would permit an individual to benefit by keeping as much information as possible to himself and only relaying it to his superior.

Likert notes that the classical theories of management place primary emphasis on control, chain of command, and the downward flow of orders and influence. There is no corresponding emphasis on adequate and accurate upward communications. Contributing to breakdowns in communications is the unwillingness of subordinates to bring their problems to the man who has control over their positions in the organization. His influence upon their promotions is perceived to be so great that the subordinates believe that they cannot afford to let the superior see their

³³ Ibid., p. 36.

weaknesses.

In the man-to-man pattern of operation, there is another serious weakness in the communications process. As communications are passed down through the various levels of the organizational hierarchy, both upward and downward, they become highly filtered and correspondingly inaccurate.

To improve the flow of information and to increase organizational effectiveness, Likert has developed the concept of the linking pin.³⁴ The linking pin is an individual who has membership in two or more groups. For example, the president may hold a group meeting with all the vice-presidents. The vice-presidents acting as linking pins will hold meetings with their subordinates to pass along any information they received from the president.

The linking pin function requires effective group process and would establish the following associated ideas:

1. An organization will not derive the full benefit from its highly effective groups unless they are linked to the total organization by means of equally effective overlapping groups.
2. The potential power of the overlapping group form of organization will not be approached until all the groups in the organization are functioning reasonably well.
3. The higher an ineffective group is in the hierarchy, the greater is the adverse effect of its failure on the performance of the organization.
4. To help maintain an effective organization, it is desirable for superiors not only to hold group meetings of their own subordinates, but also to have occasional meetings over two hierarchical levels.
5. An organization takes a serious risk when it relies on a single linking pin or single linking process to tie the organization together.³⁵

Likert also states that the capacity to exert influence upward

³⁴ Ibid., p. 113.

³⁵ Ibid., p. 115.

is essential if a supervisor is to perform his supervisory functions successfully. The linking pin function facilitates this upward flow.

It would appear that Likert's conception of overlapping groups could easily be established within the existing military organizational hierarchy. The branch chiefs in each division could form groups with those field units that perform functions for which they are cognizant.

Organizational Systems

McGregor's System

McGregor would build the organization about a managerial team. He believed that conventional organizational theory was built around the individual. However, since the great advances of the physical sciences in the past two decades, managers have been pressed to develop new procedures for exploiting this new information. McGregor believed that the group would become an effective tool for the manager.

Present management systems employ what Likert labels the man-to-man arrangement. McGregor noted that in this type of system, meaningful interactions take place between the managers and the individual members. Even though there is some horizontal interaction it is sanctioned only as part of the informal organization.³⁶ As Argyris noted, this lack of formal personal interaction leads to a basically competitive relationship among individuals.

McGregor listed the following characteristics of a successful team:

³⁶ Leonard Sayles, Managerial Behavior (New York: McGraw-Hill Book Company, 1964).

1. The unit as a whole has one primary task.
2. Its flexible structure adjusts to the demands of the situation.
3. Controls are transitional. All members of the unit, including the manager, determine the structure, the responsibilities, and subgoals of the unit; the principles and norms governing its operation; and the standards of performance.
4. Opportunities for intrinsic rewards associated with membership in and accomplishments of a cohesive group are deliberately created, while control of extrinsic rewards is maintained by management.
5. All these characteristics are operational within limits defined by the larger organizational system.
6. Cooperative relationships exist between the members accomplishing the common primary task.
7. Interdependence between all members determines the survival and successful performance of the team. ³⁷
8. Members must have appropriate skills.

The point here is that the team can develop the full potential of an individual by becoming a vehicle to meet the individual's higher motivational needs. However, McGregor cautioned that not all managerial activity is appropriately carried out in a group setting.

Argyris' System

Argyris reports that at the lower hierarchical levels in an organization, human behavior is influenced by technology, control systems, and organizational structure. This would suggest that major changes in the lower levels will tend to be in the areas of job design, staffing of the positions, and the control system. The positions could be designed to satisfy the specific individual's needs, and by permitting him to participate in the design of the organizational structure and control systems, the individual's chances for psychological success are enhanced.

The behavior at the upper levels of the hierarchy is influenced primarily by interpersonal relationships. To improve chances for psychological success, the upper levels would probably best be altered by

³⁷ McGregor, Professional Manager, p. 161.

focusing on improved interpersonal relationships.

An important point made by Argyris is that changes in the organization towards increasing opportunity for psychological success be made as long as it can be shown that these changes are decreasing unproductive compulsive activities. Additionally, changes should be continued only when there is evidence that the changes result in obtaining the organizational objectives, maintaining the internal systems, and that the organization is adapting to external conditions with less wasted effort.

Argyris' organization would consist of six dimensions. Each of these dimensions would be a continuum. Table 1 summarizes the extreme ends of the continuum for each dimension. As one approaches the right end of the continuum the possibilities for psychological success increase. Argyris points out that how far one may progress towards the right side will depend upon the specific situation and upon the point when the organization's effectiveness starts to decrease. For example, Argyris believes that a pyramidal organizational structure, with inherent characteristics that place it in the center of the continuum, would be used in a situation when time is of the essence and a decision must be made that commits the organization in a direction already accepted by the subordinates. Argyris presents other organizational structures for different situations.³⁸

A complementary concept is developed concerning organizational leadership. Argyris argues that the leadership style used should be consonant with the organizational structure.³⁹ He suggests a leadership continuum similar to Lippitt's proposal.

³⁸ Argyris, Integrating the Individual, pp. 198-211.

³⁹ Ibid., pp. 214-220.

TABLE 1

ARGYRIS' MIX MODEL^a

Away from Essential Properties	Towards the Essential Properties
1. One part (subset of parts) controls the whole.	The whole is created and controlled through interrelationship of all parts.
2. Awareness of plurality of parts.	Awareness of pattern of parts.
3. Achieving objectives related to the parts.	Achieving objectives related to the whole.
4. Unable to influence its internally oriented core activities.	Able to influence internally oriented core activities as "it" desires.
5. Unable to influence its externally oriented core activities.	Able to influence externally oriented activities as "it" desires.
6. Nature of core activities influenced by the present.	Nature of core activities influenced by the past, present, and future.

^aArgyris, Integrating the Individual, p. 150.

Schein's System

Schein increases organizational effectiveness by improving communications, flexibility, creativity, and by establishing a genuine psychological commitment.⁴⁰ He presents a theory of an organizational system towards which one must move to increase these values; however, he warns that system theory in this area is imperfect and incomplete. The main problem concerns the relationships between organizations and

⁴⁰Schein, Organizational Psychology, p. 106.

their environments. These relationships are complex because:

1. It is difficult to define the appropriate boundaries of any given organization under analysis and to determine what size its environment is.
2. Organizations generally have several basic purposes or fulfill multiple functions. These sets of forces may impose conflicting demands on the organization.
3. The organization carries within itself representatives of the external environment.⁴¹

Schein does not give an organizational system. He proposes that any system developed must be concerned with the following:

1. The organization must be conceived of as an open system which means that it is in constant interaction with its environment, taking in raw materials, people, energy, and information; and transforming or converting these into products and services which are exported into the environment.
2. The organization must be conceived of as a system with multiple interactions between the organization and its environment.
3. The organization consists of many subsystems which are in dynamic interaction with one another.
4. Because the subsystems are mutually dependent, changes in one subsystem are likely to affect the behavior of other subsystems.
5. The organization exists in a dynamic environment which consists of other systems, some larger, some smaller than the organization.
6. The multiple links between the organization and its environment make it difficult to specify clearly the boundaries of any given organization.⁴²

Likert's System

Likert believes the system determines the organization's capacity to achieve effective communications, to make sound decisions, and to motivate, influence, and coordinate the activities of its members. By combining the linking pin function with effective work groups, Likert establishes his interaction-influence system.⁴³

This system envisions that each work group will permit the

⁴¹ Ibid., p. 89.

⁴² Ibid., p. 95.

⁴³ Likert, New Patterns, pp. 178-191.

individual the opportunity to influence the decision-making process, and the implementation of these decisions. This influence may vary depending on the situation. If time is critical in a specific situation, the manager may only consult with other members of the work group. If time is not critical, the manager may delegate the decision to the members of the group.

Argyris states that Likert's system is effective because it permits individual participation with the possibility for the top executive to override the decision made by the group or to go ahead and make his own decision without waiting for the group to decide.⁴⁴

Likert notes that linkage is an important concept in the interaction-influence system. The better the linkage the more effective will be the work groups. More effective work groups mean a more effective organization. Where the group acts as the vehicle to permit the individual to express his ideas, the linking pin permits the group to express its ideas throughout the organization.

Likert believes an organization utilizing the interaction-influence system would tend to show the following operating pattern:

1. Individuals would feel that the goals and values of the group reflect their own goals and values. Additionally, the linking pins would permit the individual to integrate his goals and values with those of the organization.
2. The anxieties associated with pressures from a superior in the hierarchy would be greatly lessened because the pressure for increased effectiveness would come from within the group.

⁴⁴Argyris, Integrating the Individual, p. 203.

3. The communications process of the organization would be efficient due to the linking pin providing communications links among the groups. This would permit important information to flow to the points in the organization where the information is relevant for decisions and action.

4. Decisions would be made with all relevant information available at the points where the decisions are made.⁴⁵

Likert also notes that in decentralized organizations the interaction-influence system often appears to be weakest both in structure and function at the point between the headquarters and the field units. This is the existing problem in the present Coast Guard system.

⁴⁵Likert, New Patterns, pp. 181-183.

CHAPTER IV

EXISTING APPRAISAL SYSTEMS AND APPROACHES TO NEW SYSTEMS

The Present Coast Guard Evaluation System

The problem to is develop an adequate evaluation system for Coast Guard officers who have infrequent personal interaction with their evaluating superior. Coast Guard enlisted personnel evaluation is structured differently from officer evaluation, so it will not be considered in this paper. However, if this paper develops a satisfactory evaluation system, then it is possible the system might be expanded to include all other personnel.

Since the Coast Guard is not concerned with returning a profit on investments, evaluations based on the profit motive are considered to be inappropriate. However, recent innovations from the Department of Defense, such as Project PRIME, are designed to measure effectiveness and efficiency. Both are considered as substitutes for profit in unit and personnel evaluations. Efficiency (which relates resources consumed to work accomplished) and; effectiveness (which is concerned with measuring actual performance against planned performance) may be valid substitutes for profit if used rationally. Solomons points out that different standards must be established for judging the success of both the venture and the manager even though the same set of figures can be used for both

judgments.¹ If Solomons' advice was not followed, Project PRIME could promote some difficulties by utilizing the standards for success or failure of the unit as the standards for the commanding officer's evaluation.

The current Coast Guard officer evaluation system is based on a semiannual merit rating scheme.² Promotion, assignment, selection for postgraduate training and other important personnel actions are based in large part on fitness report records.

The guiding instruction recognizes that rating errors may exist in the system. These errors are classified into two areas:

1. Error due to the information considered by the reporting officers.
2. Error caused by rater differences.

Vinton reports that rater differences were particularly troublesome in U.S. Air Force officer effectiveness reports.³

To counter the first error, the instruction advises that when observation of the subordinate is by indirect means, the superior must insure that all performance information is available and is accurate. Where the subordinate's duties will prevent having frequent personal interaction with his superior, the tone of the subordinate's fitness report will be determined by the first impression. Costello and Zalkind state that where interpersonal contact provides opportunity only to form an impression, a large number of subjective factors, set, stereotypes and

¹David Solomons, Divisional Performance: Measurement and Control (Homewood, Illinois: Richard D. Irwin, Inc., 1965), p. 59, and p. 67.

²U.S. Treasury Department, U.S. Coast Guard, Commandant Instruction 1611.3A Officer Fitness Reports (Washington, D.C.: Government Printing Office, 1965).

³Stonewall P. Vinton, "Merit Ratings of Officers in the Armed Forces" (unpublished MBA dissertation, University of Texas, 1959) p. 183.

projections, operate to create an early impression that is frequently erroneous.⁴

The second error can be caused by the personal characteristics of the evaluating superior. Included in this category would be raters classified as "hard markers," "easy markers," and "down the middle markers." Vinton also reports, in addition to the above errors, errors introduced by the halo effect and a rank bias. He reports that rank bias occurs when officers of higher rank invariably receive higher evaluations than officers in the lower grades.⁵

The Coast Guard instruction believes these errors can be controlled by training, experience and the exercise of good marking discipline. Another cause of rater differences can be attributed to the personal likes and dislikes of the superior. In conjunction with this last error, Likert notes that superiors tend to favor those supervisors whose pattern of supervision corresponds to the pattern which the superior believes should be used to obtain the best production.⁶

These suggested solutions to the errors lead one to believe that there are no sound procedures that can be utilized to counter unobjective inputs.' McGregor stated:

The variation in the standards of different judges has never been completely solved, nor has the effects of bias and prejudice been eliminated.⁷

There are some techniques that reduce bias and prejudice if

⁴Timothy W. Costello and Sheldon S. Zalkind, Psychology in Administration (Englewood Cliffs, New Jersey: Prentice-Hall Inc., 1965), p. 53.

⁵Vinton, "Merit Ratings," p. 183.

⁶Likert, New Patterns, p. 83.

⁷McGregor, Human Side of Enterprise, p. 83.

applied properly. The New York Telephone Company uses a group appraisal plan to insure objectivity in the evaluation. The group consists of the subordinate's immediate superior and other supervisors of the same level who are familiar with the subordinate's job performance.⁸ This could be applied by the Coast Guard. A committee could be formed, consisting of the chiefs of each division, and chaired by the chief of staff, to write fitness reports for the commanding officers of field units. Each of the division chiefs would be aware of the field unit commanding officer's performance in the areas of their respective specialities. Another approach would be to have the evaluator's superior review the evaluation. The idea here is that the superior would be aware of the evaluator's personal characteristics and could adjust the evaluation accordingly. This procedure is established in the Coast Guard; however, the majority of fitness reports are forwarded to headquarters without comment by the reviewing officer.

Since promotion and other personnel matters are largely dependent upon scores obtained from fitness reports, it would be desirable to compute a factor to equate all raters' differences. Captain C.D. Allen, USN, suggests establishing a common reference for all fitness reports by a calculated bias for each reporting senior.⁹ He suggests that the Bureau of Naval Personnel would be able to calculate the factors, but he does not offer suggestions on how the corrective factors should be computed.

A preliminary investigation of rater differences completed for the

⁸ New York Telephone Company, "A New Management Appraisal Plan," New York, 1963, pp. 1-7.

⁹ Captain C.D. Allen, USN, "A New Way for Officer Fitness Reports," United States Naval Institute Proceedings, November 1968, pp. 110-13.

Air Force Systems Command revealed the following:

The conclusions of the study were that rater differences on the officer efficiency ratings did exist and that these were related to certain characteristics of the raters. However, neither the difference nor the relationship were great enough in magnitude to be of practical value and it was concluded that additional research on the study of rater differences in OER rating systems was unlikely to be fruitful.¹⁰

The same investigation revealed that ratings on officer efficiency reports differ as a function of a number of situational factors presumably unrelated to the actual performance of the officer being rated. These factors would include the grade of the rated officer, the command in which he was assigned and the specialty in which he was working.¹¹ It would appear that the rating error for an evaluation would vary dependent upon the situation.

The Coast Guard system does not force a distribution of marks. It is pointed out in the instruction that if all officers were assigned on a chance basis, the probabilities of having all above average officers would become smaller as the number of officers rated increased. Each evaluating officer maintains a fitness report accounting sheet. This form is used to record the spread of marks that the evaluating officer has assigned over a period of time. It was hoped that this would be a self regulating device to counter trends to rate too highly. The system suggests that each evaluator should find that in the long run he will have mostly average subordinates. In Appendix B, item 14, line h, it should be noted that the experienced distribution of marks of

¹⁰ Personnel Research Laboratory, Aerospace Medical Division, Air Force Systems Command, A Preliminary Investigation of Rater Differences in Officer Effectiveness Reports, by Ernest C. Tupes and Marjorie N. Kaplan, July, 1965, p. iii.

¹¹ Ibid., p. 1.

overall performance is not a normal curve. Since the inception of this system in 1966, there has been an inflation in marking. Taken at face value this means that there are very few inadequate, satisfactory, or merely good officers. The majority of Coast Guard officers are very good or better. This problem is not restricted to the Coast Guard. Major Lloyd Westphal, USAF, stated that the Air Force officer effectiveness reports are so inflated that any mark less than excellent could cause a passover in the next selection for higher rank.¹² The Coast Guard has an unique problem. There are many commands in the Coast Guard where only one officer is evaluated by the commanding officer of that unit. On these occasions, how is the superior to recognize if the subordinate is average, above average, or outstanding?

McGregor believed that the conventional approach of performance evaluation, unless handled with skill and delicacy, constituted something dangerously close to a violation of the integrity of the individual. Superiors are uncomfortable when they are placed in the position of "playing God."¹³ The inflation of marks in the Coast Guard fitness reports may also reflect the superior's unwillingness to equate human beings with machines. An evaluation system that sets standards of performance is identical with a program for product inspection.¹⁴

The Coast Guard system was designed to generate a spread of marks to permit discrimination among officers. In Appendixes A, B, and C,

¹²Major Lloyd Westphal, USAF, Administrative Officer, 89th MAW, private interview, 21 December 1968, Washington, D.C.

¹³Douglas McGregor, "An Uneasy Look at Performance Appraisal," Harvard Business Review, May-June, 1957, p. 90.

¹⁴Ibid., p. 90.

indicate that nine graduations on performance factors are utilized.

Patton believes that the most important aspect of the entire appraisal process lies in the identification of outstanding and poor performers.¹⁵ McConkey states that the traditional appraisal factors are weak measuring devices since they do not actually measure results achieved. Traditional factors fail because they attempt to measure without first knowing what they are supposed to measure. As an example, a middle manager may be evaluated on cost consciousness. If he spends \$50,000 on plant maintenance, is he average, above average, or poor in cost consciousness?¹⁶ The degree each performance factor is spelled out on the Coast Guard fitness report forms is indefinite, in highly relative terms, and gives no precise standard against which the subordinate is to be appraised. What factors separate satisfactory from good performance when evaluating a junior officer's ability to get along with his peers?

McGregor believed that by using fairly simple procedures and some safeguards against extreme bias and prejudice, it is probably fair to say that one can discriminate among the outstandingly good, the satisfactory and the unsatisfactory performers. He states that there can be no finer delineation.¹⁷ It would appear that with nine graduations the Coast Guard is attempting to obtain a fineness that does not exist.

Counseling is part of the Coast Guard evaluation system, but it

¹⁵ Arch Patton, "How to Appraise Executive Performance," Harvard Business Review, May-June, 1957, p. 90.

¹⁶ Dale D. McConkey, "Measuring Managers by Results," Personnel Journal, December, 1962, p. 541.

¹⁷ McGregor, Human Side of Enterprise, p. 83.

is not tied directly into fitness reporting. Counseling is done throughout the year. This should permit the counseled officer to have sufficient time to correct any noted deficiencies before the next fitness report. As a general rule officers are not shown their completed fitness reports. Vinton lists the following as advantages for showing an officer his completed report:

1. Evaluations that are properly formulated provide a common basis from which to develop a mutually approved training plan for the rater.
2. The ratee knows his weak points.
3. Rating officials have a tendency to render more realistic and factual reports.
4. The rated officer. . . is fully aware of his supervisor's opinion of his performance.
5. Favorable recognition of performance or traits usually stimulates a desire to improve.

Disadvantages:

1. In instances where ratings are lower than anticipated, morale and efficiency may be lowered.
2. Excessively high ratings may be rendered to avoid morale problems, resulting in too many high ratings.
3. Rating officials may hesitate to render a true and accurate evaluation if they are subject to being questioned concerning statements contained in the report.
4. Morale problems may develop as a result of one individual or group becoming aware of variations in ratings through discussions with others of the same class and grade.¹⁸

It would appear that the end result desired from an appraisal program would determine the tactics of counseling. If the service is interested in officer development, then counseling would become a major activity. Counseling would be a minor undertaking if the evaluation system is only used to identify the top and bottom performers. Although counseling is a part of the Coast Guard evaluation system it is not a major portion.

¹⁸Vinton, "Merit Ratings," p. 181.

McGregor believed that the roles of judge and counselor are incompatible.¹⁹ When the supervisor makes judgments about the subordinate, he is implying that certain actions of the subordinate should be changed. Both individuals know that if the change is not made, the superior is in a position that will permit him to punish the subordinate. In this atmosphere, the counseling will generate more rationalization and defensiveness than motivation to change. Kelly reported the following:

Criticism of performance typically resulted in defensiveness. The more criticisms or improvement needs the manager cited, the more likely the subordinate was to be defensive. The more criticism and defensiveness observed in the appraisal discussion, the less improvement twelve to fourteen weeks later. Being praised had no measurable effect on an employee's reaction to criticism or on his subsequent job performance.²⁰

Rear Admiral Joseph J. McClelland, USCG, disagrees with the concept that criticism necessarily gives rise to defensiveness.²¹ He believes that if criticism is presented properly it can motivate change. There are several ground rules concerning proper criticism. Feinberg presents the hypothesis that criticism in an appraisal would not come as a shock if the manager managed every day.²² This would mean that by having frequent personal interactions with his superior the subordinate would be able to forecast accurately how the superior appraises his

¹⁹ McGregor, Human Side of Enterprise, p. 86.

²⁰ Philip R. Kelly, "Performance Appraisal, Useful for What? Report Number 859," Employee's Relations Bulletin, June 5, 1963, p. 3.

²¹ Rear Admiral Joseph J. McClelland, USCG, former Chief of Officer Personnel, private interview New York City, New York, 27 December 1968.

²² Mortimer R Feinberg, "Performance Review, Threat or Promise," Supervisory Management, May 1961, p. 2.

performance. Planty and Efferson suggest that a strong personal relationship be built between the evaluating superior and the subordinate.²³ This relationship can be formed by frequent personal interactions too.

The Coast Guard system calls for appraisal twice a year. Semi-annual evaluation is far removed from the events being evaluated. Late feedback will not accomplish the desired change in the subordinate. The most effective feedback occurs immediately after the behavior.²⁴ To achieve motivation to correct undesired behavior, the feedback should go directly to the subordinate and not the superior.

The Coast Guard fitness report system was modified in January 1966. This change recognized that as an officer progressed in his career, emphasis on performance factors would shift. Junior officers would be evaluated on accommodation to service life, handling of enlisted men, and relatively narrow administrative duties. Officers considered as middle managers would be evaluated on the performance of their specialty and management on a broader level. Admirals and captains are rated on the broad concepts of command and management. Recognition of the three career bands was accomplished by replacing the previously used single fitness report with three forms, each based on a period in the progression of the officer's career. (See Appendixes A, B, and C) This eliminates some of the rank bias reported by Vinton. However, the basis for the report remained a graduated scale merit marking method. By accepting this method, the Coast Guard has joined private industry in perpetuating the

²³ Earl G. Planty and Carlos E. Efferson, "Counseling Executives After Merit Rating or Evaluation," Personnel, March 1957, p. 5.

²⁴ McGregor, Human Side of Enterprise, p. 87.

most common system of evaluation.²⁵

Evaluating Systems Used by Industry

After World War II much emphasis was placed on evaluating personnel against a standard.²⁶ It was believed that the employee's performance could be accurately evaluated if it was compared to a standard. Additionally, the standard would permit subordinates to be aware of the criteria on which they were to be evaluated.

The basic premise that standards constituted a good evaluation system was accepted. Literature on performance standards was primarily concerned with developing procedures for the writing of position descriptions which would contain reasonable standards of performance for that billet. There were several cardinal rules that had to be followed if a successful position description was desired. A successful description would follow these rules:

1. The standard must be attainable by the average individual.
2. The standard should be set at the level of adequate performance of the task.
3. Adequacy should be expressed as a range in quality or quantity.
4. The standard should be exceedable to insure separation of satisfactory from outstanding employees.
5. The standard must be written in concise terminology.²⁷

Early suggestions concerning standards primarily pertained to applying them to non-managerial positions. The conventional thoughts of using standards for appraisal are summarized by Kelly. He states:

²⁵ Joseph A. Litterer, "How Forty-Seven Companies Measure Their Executives," Personnel Journal, July-August, 1957, p. 99.

²⁶ Eldon E. Sweezy, ed., "Standards of Performance: A Symposium," Personnel Administration, July, 1948, pp. 21-46.

²⁷ Ibid., p. 22.

The conventional appraisal approach . . . is basically a control device. It is most appropriate when used with those individuals and groups such as hourly personnel and many first line supervisors, whose work merits or requires direct supervision.

The higher and more complicated the manager's role is, the more difficult it is to judge him on the basis of acts for which he is specifically accountable.²⁸

Rowland proposed that standards be written for managerial billets.²⁹ He argues that to set standards of performance for a management position is not to standardize it. There is no attempt to tell the manager how to do his job, but rather how well it should be done. The standard would also give each manager a basis for measuring his accomplishments and appraising his progress. Rowland identifies two types of standards:

1. Production workers are told the quantity of work they are expected to perform, the quality that must be maintained and the number of errors that can be tolerated.
2. Standards for managerial positions may seem vague, evasive and impractical, but only because they are more difficult to determine.³⁰

Rowland is implying that once a standard for a managerial position is established, the evaluation of a manager can be placed on the same basis as a production worker. To determine the merit of a manager, one must measure the quality, the quantity, and the number of errors in his work.

The Coast Guard rating procedure is based upon a review of the billet description, a review of the subordinate's performance, and a

²⁸ Kelly, "Performance Appraisals," p. 5.

²⁹ Virgil T. Rowland, "The How and Why of Executive Performance," The Management Review, July, 1958, pp. 10-15.

³⁰ Ibid., p. 13.

comparison between the subordinate and other officers in the same grade level. This is evaluation against a standard.

Apart from providing guides for salary administration and some help in hiring and placement, McGregor believed that the chief values of positions descriptions are:

1. Satisfy the needs of organizational planners for order and systematization.
2. Provide reassurance to top management that everyone has a piece of paper which tells him what to do.³¹

He was also worried that the planners and top management would make the mistake of assuming that the descriptions represented reality.

The whole concept of evaluating the performance of employees stems from the age of scientific management with its output rates, norms and standards. It is easy to imagine the step from determining output rates to basing evaluations on output rates. Most performance evaluation programs are centered around performance standards, (an output requirement) performance appraisals, (measuring employee's ability against the standard) and the supervisor's judgment when he makes the measurement. This is the human machine approach.³² Dailey believes that production standards can be applied to personnel, but that the value of an employee to the company cannot be determined solely by such standards. The conclusion is that performance evaluation as a program is troublesome because evaluators are looking at the standards as a guide rather than at the individual and the situation.³³

³¹McGregor, Human Side of Enterprise, p. 82

³²William W. Dailey, "Needed: A New Manifesto for Performance Evaluation," Personnel Administration, July-August, 1961, pp. 41-46.

³³Ibid., p. 22.

Another method of evaluation applicable to profit center managers is the profit budget. Evaluations are made by setting an objective and subsequently comparing performance against it. Dearden believes that profit budgets are ineffective because:

1. There are so many complex performance variables in the typical profit center that it is impossible to develop techniques to measure the profit potential precisely.
2. Profit budget performance is affected by external conditions that cannot be controlled or forecasted accurately.
3. The normal budget period is too short a time in which to measure accurately the performance of a profit center manager.³⁴

Several companies are attempting to base their evaluations of managers on many inputs. In 1953, the General Electric Company determined their evaluations of key management personnel would be based on eight result areas. These included:

1. Profitability
2. Market position
3. Productivity
4. Product leadership
5. Personnel development
6. Employee attitudes
7. Public responsibility
8. Balance between short and long range goals³⁵

Measurements were to involve common indexes of performance, but not common standards of performance. For example, rate of return on investment might be the index of performance common to all product departments, but the standard in terms of this index might be 12 per cent for one department and 25 per cent for another.³⁶ A General Electric

³⁴ John Dearden, "Appraising Profit Center Managers," Harvard Business Review, May-June, 1968, pp. 80-87.

³⁵ Robert N. Anthony, John Dearden, and Richard Vancil, Management Control Systems (Homewood, Illinois: Richard D. Irwin, Inc., 1965), p. 92.

³⁶ Ibid., p. 91.

executive expressed a belief that in the years since the inception of the eight result areas of evaluation, the appraisal has reduced to size of profit as the main evaluation criteria.³⁷ Anthony states:

. . . in most decentralized profit center systems the rate of return earned by a division is the most influential factor in evaluating performance.³⁸

Patton believes that an important weakness in this type of evaluation is that once targets have been established, mathematics takes over the responsibility of management to manage.³⁹

The Port of New York Authority has developed a rather extensive evaluation system for management personnel.⁴⁰ An employee's career is divided into three sections. The individual will progress through junior management and middle management to executive positions. Entry into each management band is controlled by a series of tests and interviews. For example, entry into the junior management level requires satisfactory performance on the following:

1. Cooperative School and College Ability Test
2. Holland Vocational Preference Inventory
3. Miller Analogy Test
4. Port Authority Interaction Test
5. Panel Interview
6. Supervisor's rating

The tests for entry into the middle management band are designed

³⁷ Bruce Lees, Manager, NASA Programs for Missile and Space Field Operations for General Electric Company, private interview held Washington, D.C., 9 October 1968.

³⁸ Anthony, Dearden, and Vancil, Management Control Systems, p. 318.

³⁹ Patton, "How to Appraise Executive Performance," p. 65.

⁴⁰ "Standard Promotion Plan Spurs the Career-Minded, Report Number 830," Employee Relations Bulletin, October 24, 1962.

primarily to determine particular skills in either administrative-supervisory fields or professional-technical fields.

After successfully completing the evaluation, employees are permanently eligible for promotion through all positions within the salary band. Promotion through the band is determined by semiannual performance evaluation.⁴¹

Although this plan has many excellent parts, it is only as strong as its weakest component. In this case, promotion through the band is determined by comparison to a standard.

In summary, it may be concluded that when profitability is not appropriate as a measure of performance, industry has generally accepted an evaluation of personnel based on comparison to a standard. If profitability is appropriate, it becomes the dominant factor in evaluation and completely over shadows all other criteria.

New Approaches to Performance Evaluation

Dailey stated that most critics aim their blast at the structure of an evaluation program. He believes too much attention has been devoted to technique rather than to the purpose of the evaluation, and that this has directed attention away from whether the basic concepts of performance evaluation programs are sound. To correct this flaw, Dailey suggests that instead of considering evaluation as being the road to its uses, the emphasis should be that the uses determine the type of evaluation system.⁴² He gives four possible solutions:

⁴¹ The Port of New York Authority, "The Port Authority Career Plan," New York, 1968, p. 4.

⁴² Dailey, "Needed: A New Manifesto," p. 42.

1. Forget the past. Do not build on or amend the old.
2. Quit fighting the problem of structure of performance evaluation, and attempt to do something about the approach.
3. Stop considering performance evaluation as an entity in its own right, but consider it only in the context of its own uses.
4. Cease using terms as performance standards, appraisals, rating inefficiency and other terms connoting the application of slide rule techniques to machinery.⁴³

McGregor stated that conventional performance appraisal programs tend to treat the individual as though he were a product under inspection on the assembly line. He recommended taking the typical appraisal plan and doing the following:

Substitute 'product' for 'subordinate being appraised,' substitute 'inspector' for 'superior making the appraisal,' substitute 'rework' for 'training or development,' and, except for the attributes being judged, the human appraisal process will be virtually indistinguishable from the product inspection process.⁴⁴

Evaluations that grade on an employee's worth are humiliating. Unlike machines, men have capabilities which can be expanded by training, experience and environmental motivations. Dailey proposes that where performance evaluation is based on standards appraisal and supervisory judgment a new system should be based on developmental avenues available, proper use of these avenues in terms of organization and individual needs, and joint supervisor and employee exploration of these avenues for the benefit of the employee and the organization.⁴⁵

Patton has developed a system that utilizes Dailey's suggestion. Patton calls his system planned performance. Its users have the common

⁴³ Ibid., p. 45.

⁴⁴ Douglas McGregor, address before the Fifth Anniversary Convocation of the M.I.T. School of Industrial Management.

⁴⁵ Dailey, "Needed: A New Manifesto," p. 45.

objective of measuring individual performance in terms of agreed upon tasks reflecting the goals of the business.⁴⁶ This approach establishes targets for the individual that are implicit in the position he holds. His performance is judged in terms of these targets rather than a purely mathematical measurement, or a subjective judgement from his superior.

McConkey's system of measuring managers by results is a parallel to Patton's method. The subordinate develops his goals and then discusses them with his superior. The objectives for each manager, once they are approved, become the directive of required action, and the basis for his evaluation.⁴⁷ This evaluation reduces to results achieved versus results expected.

Hughes believes that if a manager's job exists to carry out certain objectives and strategies of the organization, it would be reasonable then to assess the manager's performance, and to assign rewards in terms of how well these organizational goals have been achieved.⁴⁸ This process is quite compatible with appraisal processes outlined by McConkey and Patton.

Hughes supplies the following steps to permit evaluators to apply goal accomplishment as appraisal criteria.

1. Set the organizational goals.
2. Evaluation of the goals in order of relative importance.
3. Assessment of the individual managers against their own job goals. Rank ordering would be from the most effective to the least effective. Top management would review the goal achievement of key managers using a criterion of contribution to the achievement of the goals of the organization.

⁴⁶ Patton, "How to Appraise Executive Performance," p. 65.

⁴⁷ McConkey, "Measuring Managers by Results," p. 543.

⁴⁸ Charles L. Hughes, "Assessing the Performance of Key Managers," Personnel, January-February, 1968, p. 38.

4. Comparison of the rank order of goals against the rank order of individuals.⁴⁹

Hughes suggests using a scattergram for item four. The rank order of goals would be the values of one axis; the rank order of the individuals would be the values for the other axis. This device would permit top management to observe if an individual was ranked high possibly because his goal was an easily performed, low-rank objective.

Mahan reports the use of the scattergram, with some modification to Hughes' suggestion, by Coast Guard promotion boards.⁵⁰ However, instead of a ranking of goals against a ranking of individuals, the Coast Guard utilizes a ranking of individuals, provided by fitness report index, against an evaluation index of experience, education and biographical factors.

Much resistance to an evaluation system may exist because of the evaluator's unwillingness to treat human beings like machines. A successful system would preserve the dignity of the individual. McGregor believed in creating conditions that would permit members of an organization to achieve their own goals, and maintain their dignity, while pursuing organizational goals. To motivate the individual, most managerial systems rely on extrinsic rewards. However, McGregor argued that the job and the environment could be so structured to give the employee intrinsic rewards by successful performance of his job. An evaluation system based on these assumptions can be created.

⁴⁹ Ibid., p. 43.

⁵⁰ Lieutenant Neal Mahan, USCG, "Officer Promotion Boards," U.S. Coast Guard Academy Alumni Association Bulletin, XXXI (January-February, 1969), pp. 33-37.

McGregor's approach is similar to those suggested by Patton and McConkey. The conventional approach makes the assumption that the superior can know enough about the subordinate to decide what is best for him. The McGregor approach rests on the assumption that the individual knows more than anyone else about his own capabilities, needs, strengths and goals and can determine what is best for his development. McGregor has the individual set his goals in conjunction with his superior. At the end of the evaluation period the subordinate makes his own appraisal. This appraisal is examined by the superior and subordinate together. The accent is on actions relative to goals. There is less tendency for the personality of the subordinate to become involved. For example, with an unsure subordinate the superior can help the individual plan ways of getting feedback concerning his impact on his associates. This would give the subordinate a basis for self-appraisal and self-improvement.

CHAPTER V

INPUTS TO A NEW APPRAISAL SYSTEM

Purpose of the Chapter

Chapter IV was concerned with a broad description of Coast Guard and various industry appraisal systems. Errors and failures inherent in these systems were analyzed. Finally new approaches to performance appraisal were evaluated. Chapter V is concerned with the appropriateness of various standards upon which appraisals are based. Primary consideration is given to analyzing various financial standards that could be utilized as inputs to the appraisal system. Current Coast Guard, industry and Department of Defense financial procedures are inspected to determine suitability for inclusion as inputs to the Coast Guard appraisal system.

Present Coast Guard Financial Procedures

The present system of budgeting used in the Coast Guard is specified in The Manual of Budgetary Administration.¹ The manual recognizes two broad purposes of budgeting:

1. To bring information concerning proposed programs and their financing to the proper administrative level for evaluation and approval.
2. To provide measurable standards and goals to which progress in carrying out the approved programs may be compared and against

¹U.S. Department of the Treasury, U.S. Coast Guard, The Manual of Budgetary Administration (Washington, D.C.: Government Printing Office, 1 July 1962).

which proposed plan changes may be evaluated.

The Coast Guard receives funds from Congress appropriated into four functional categories:

1. Operating expenses, for the operation and maintenance of existing facilities.
2. Acquisition, construction and improvement funds, for construction and major improvements at shore stations, and acquisition of ships, boats, and aircraft.
3. Reserve training funds.
4. Retired pay funds.

This section of Chapter V will only be concerned with the investigation of the administration of operating funds. These funds are the only ones that are normally administered by independent field units and therefore are the only funds upon which the field unit can exert any influence.

Administration of Subheads

The operating expense fund is subdivided along functional lines into various subheads. Some subheads are administered by Headquarters, the remaining are administered by the district offices. At the districts, various subhead administrators maintain control of the segment of the operating fund for which they are responsible. This requires, in some instances, that a third management level officer, with no financial training, must administer a subhead involving many thousands of dollars. The rationale for this procedure is that the line officer would be able to control the funds that affect operational matters. Within the district operations division, there are subhead administrators for:

1. Vessel and aircraft fuel.
2. Communication services.
3. Ammunition and small arms.

The engineering division is responsible for subheads covering:

1. Aircraft maintenance.
2. Electronic maintenance.
3. Structures and buoy maintenance.
4. Vessel maintenance.

In addition to these operating fund subheads, the engineering division administers acquisition, construction and improvement funds allotted to the district.

The chief of the personnel division controls travel and training funds.

The district comptroller administers relatively few funds considering that this division contains the majority of personnel trained in financial management. Controlled by this division are funds covering:

1. Transportation.
2. Administrative maintenance.
3. Reimbursements.
4. Appropriation purchase.

Additionally, the Comptroller maintains accounting responsibility for military and civilian pay and controls the revolving supply fund.

It is interesting to note that officers assigned to the engineering division in district offices usually become good financial managers. This is because, as LCDR. Robert Shenkle² pointed out, all activities

²Private interview with LCDR. Robert E. Shenkle, management and industrial staff, office of engineering, U.S. Coast Guard Headquarters, Washington, D.C., 14 November 1968.

associated with maintenance of shore facilities, vessels and aircraft are covered by one subhead. For example, if an officer from the operations division wished to make an inspection trip of field units, he would be required to check with the chief of the personnel division to determine if there were sufficient travel funds. This is not required for engineering staff officers. If an officer from the naval engineering branch wished to take an inspection trip to determine the need for vessel maintenance, all his expenses would be covered by the vessel maintenance subhead. The assignment of travel funds to another division has generally hindered the operations division from developing a comprehensive inspection program for the field units.

The district distributes funds to the independent field units by two methods. The allocated subheads are divided into sub-allotments and dispursed to units which have a finance and supply officer assigned. In the Coast Guard, only large ships, air stations, and major bases qualify as sub-allotment units. A sub-allotment grant carries with it the authority to incur obligations up to the amount of granted funds as long as it is for the purpose specified by the subhead. Ships and stations which do not have a supply officer assigned are designated allocation units. These units receive a grant for day to day operations and are limited in the total value that may be spent for one item.

Both sub-allotment and allocation units can obligate funds from relatively few subheads. Most independent field units receive funds for structure and vessel maintenance, fuel, and recreational equipment.

The Coast Guard has recently developed an expenditure control for maintenance funds. The planned obligation program (POP) consists of a priority listing of maintenance backlogs and needed equipment replace-

ment. The independent field units submit the original inputs for the development of the priority listing. This input serves as a request for a sub-allotment or allocation authorization for maintenance funds.³ Benefits from this system include:

1. Development of a vehicle to permit the field unit commanding officers to influence the amount of funds allotted.
2. Permitting the officer responsible for establishing field unit authorization to determine the total district requirements for present and future funds.
3. Permitting allotments to be varied dependent upon the relative needs of each shore unit and vessel.

POP is now utilized primarily for planning purposes, but with modifications it could be used to supply inputs to the appraisal system. As noted in Chapter II, the evaluation of field unit commanding officers are usually made by a district operations staff officer two managerial levels below the district commander. A problem cited by Admiral McClelland was that the evaluating officers do not utilize, and are not fully aware of all the information available in the district office concerning the officer to be evaluated. Since the planned obligation program is administered by the engineering division, a system would be required to insure that this information was available and utilized in the appraisal process.

A second problem would be to insure that the independent field unit commanding officer would be able to continue to influence the POP. This would be in agreement with Likert's belief that if subordinates can

³ U.S. Department of Transportation, U.S. Coast Guard, Commander, Third Coast Guard District Instruction 7132.1 (New York: Government Printing Office, 14 June 1967).

influence the control system they would be more receptive to a control plan.

Present Government and Business Financial Management Procedures

Some Common Business Practices

The following section summarizes current business philosophies concerning the use of budgets as planning and control devices. Particular interest will be directed to determining if any of business' uses of budgets can be applied to the Coast Guard appraisal system. Secondly the planned obligation program will be compared with business budgets to decide if the POP could be substituted for a profit budget for use in the Coast Guard.

As noted in Chapter IV the primary criteria used by business to judge decentralized managers is profit. The profit budget forms the base of this evaluation system. The budget is a standard against which the manager will be judged. This permits the profit center manager to know precisely what is expected of him and therefore he is motivated to meet his objective since he is evaluated against it.

Dearden argues against utilizing profit budgets as a base for performance evaluation systems.⁴ He lists the following causes for profit budget ineffectiveness:

1. There are so many complex performance variables in the typical profit center that it is impossible to develop techniques to measure the profit accurately.

⁴John Dearden, "Appraising Profit Center Managers," pp. 80-87.

2. Organizational performance is affected by external conditions that cannot be controlled or forecasted accurately.

3. A year is generally too short a time in which to measure accurately the performance of a profit center manager.

Additionally Dearden develops five reasons why profit budgets should not be used to evaluate the performance of managers. These include the following:

1. Top management is often misled by profit performance reports into making incorrect evaluations.
2. Profit center managers may be motivated to take short term action that could have long term deleterious effects.
3. The existence of a profit budget system obscures the fact that adequate evaluation is not being made.
4. The profit budget fragments the profit performance of a center to the extent that it obscures what has actually happened.
5. The fact that a profit budget is used for evaluation makes it less useful for planning. Since the performance aspect of the budget has a much greater impact on the division manager, this will always be given primary consideration.⁵

Part of Dearden's solution is that the profit budget should not be used for performance appraisal. He recommends that it be restricted to planning purposes only.

A more common expression of business philosophy concerning use of budgets is described by Jones and Trentin. They propose that the many existing definitions of business management can be expressed in terms of three major functions: planning, execution, and control.⁶

Business management must plan its activities in advance, carry out the plan, and institute appropriate techniques of observation and reporting to insure that the deviations from the plan are properly

⁵ Ibid., p. 84.

⁶ Reginald L. Jones and H. George Trentin, Budgeting: Key to Planning and Control (New York: American Management Association, 1966), p. 13.

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⁵ Ibid., p. 84.

⁶ Reginald L. Jones and H. George Trentin, Budgeting: Key to Planning and Control (New York: American Management Association, 1966), p. 13.

analyzed and handled. A budget can be considered as an objective: therefore it is primarily a planning and control device.

Heckert and Willson believe the benefits of budgeting lie in three primary fields of business activity: planning, coordinating and control.⁷ Each of these fields provide certain benefits to management. Planning supplies the following benefits:

1. To act as a catalyst to bring executives to an early study of their problems.
2. To serve as a declaration of policies.
3. To enlist the support of the entire organization by having the entire organization participate in budget formulation.

Coordination has these benefits:

1. To coordinate and correlate human efforts.
2. To reveal weaknesses in the organization.
3. To relate the activities of the organization to external conditions.
4. To direct resources into the most active programs.

The benefits from control consist of permitting management to govern certain operations and expenditures. It is not enough just to know that an operation is being performed; management must know if the tasks are being efficiently executed.

Jones and Trentin believe that through budgetary planning and control, and reporting by responsibility centers, executives are able to control every area of the organization. The main point in this system

⁷ J. Brooks Heckert and James D. Willson, Business Budgeting and Control (New York: The Ronald Press Company, 1955), p. 15.

is that variations from the plan by any level of management can be traced directly to the responsible individual. This could be a dangerous tool in the hands of an individual who believes in Theory X. A management strategy based on Theory X would have control consist of:

1. Setting a standard of management.
2. Comparing actual and standard performance.
3. Ferreting out the cause of the variance.
4. Taking the necessary corrective action, such as replacing the responsible subordinates.⁸

Schein in his section on rational-economic man cites Koontz and O'Donnell as including motivation as one of the management functions.⁹ Both Theory X and Theory Y believe the individual must be motivated. The difference in the theories concerns how to motivate. It is interesting to note that neither Jones and Trentin, nor Heckert and Willson include motivation as part of their definitions of business management. Possibly this is because they assume control and motivation are incompatible. This is not a valid conclusion. Argyris points out that under a climate of mutual trust the employees may be more willing to see the legitimate needs of the organization.¹⁰ Control may be considered as a legitimate need.

Some Selected Government Practices

Among the recent innovations emanating from the Department of Defense is Project PRIME.¹¹ The project has two objectives. The first is the integration of programming, budgeting, and management accounting.

⁸ Ibid., p. 11.

⁹ Schein, Organizational Psychology, p. 49.

¹⁰ Argyris, Integrating the Individual, p. 31.

¹¹ U.S. Department of Defense, A Primer on Project PRIME (Washington, D.C.: Government Printing Office, April, 1967).

The idea here is that if programming is conducted within a mission structure; budgeting within an appropriation structure; and management accounting within an organization structure with no firm interrelationship among them, there is only an indirect way of actually comparing performance against plans. The responsible manager in the field is faced with conflicting and competing systems. He will come to utilize and understand the system which carries the strongest penalties if he does not conform. In the military, this usually means that all contingencies are covered and only then to worry about the appropriation system.

The second objective of PRIME is the development of more meaningful information on the consumption of operating resources. The focus is on the resources consumed by organizational units in carrying out their mission. Under the present system, the operating manager has goals, but has little discretion in the use of assigned resources. He has few systematic ways to measure his efficiency. Consequently his motivation is to perform effectively, to get his assigned job done, to live within his budget but not necessarily to worry about efficiency, and to minimize the amount of resources needed only when fund limitations govern his actions.

PRIME is designed to help managers do a better job of managing the resources under their control. According to the designers of PRIME, the system should motivate managers to be more concerned about the use of their resources. PRIME will provide information which will make it considerably more worthwhile than in the past for the manager to spend time seeking potential improvements. PRIME proponents contend that as performance measurement criteria change to incorporate this additional

information, the motivation will be increased for managers to be concerned with the wise use of resources. This will lessen the need for inspections, constraints, and other devices that are now used as a substitute for built in motivation.¹² Dearden argues for the exact opposite. He believes that reliance on quantitative measures of output gives management an excuse for not preparing a valid performance evaluation system. A superior can rationalize performance appraisal to a set of figures. This requires no judgement on the superior's part; he merely permits mathematics to do his job of appraisal. Part of Dearden's system is a periodic inspection of each profit center. This evaluation would take place only:

1. After a period of time judged adequate for the manager to have an opportunity to correct deficiencies.
2. After a manager leaves a division. This will determine the final results he was able to establish, and will obtain the initial condition of the division for the new manager. The new manager will be judged on how he changes the division from this initial condition.
3. When top management becomes concerned.

Application of Business and Government
Financial Management Procedures
to the Coast Guard

The second objective of Project PRIME is applicable to development of a new Coast Guard appraisal system. However, the average Coast Guard field unit is relatively inflexible concerning personnel resources.

¹²Ibid., p. 17.

Personnel allowance changes are controlled by Headquarters. The field unit commanding officer can be given discretion concerning utilization of maintenance funds. In conjunction with the planned obligation plan, the field unit officer could be permitted to spend his allocation at facilities where he can obtain the most for his money.

The POP can also be used to gain the benefits that Heckert and Willson believe can be derived from profit budgeting. Additionally, by insuring that field unit commanding officers have an active influence on the planned obligation program standards, motivation to develop full performance can also be obtained. Dearden's warnings must be considered if POP is used as an appraisal system input. Caution must be exercised so that the commanding officer is not penalized for deviations from the program that are caused by events over which he has no control.

Other Inputs to the Appraisal System

Work Load Measurements

Lewis states:

A further limitation on the use of work load measurements is that the end product of many agencies is not measurable by any means yet devised. In other cases, the amount of work performed is not a measure of its significance or value. Some work is standby in character. Some facilities for example, are maintained to meet emergencies if and when they arise. In such cases the less work there is to be done the better. Much of the work of military agencies and fire fighters is of this type.¹³

The end results of Coast Guard activities can be measured. One can list the number of search and rescue cases completed, or the number

¹³ Verne B. Lewis, "Towards a Theory of Budgeting," in Planning, Programming, Budgeting: A Systems Approach to Management, ed. by Fremont J. Lyden and Ernest G. Miller (Chicago: Markham Publishing Company, 1967), p. 133.

of operating hours, or the amount of ice broken, or the number of lives saved. However, this may not be a significant indicator of the work load. Additionally, the Coast Guard must find a common denominator to equate all the various activities if a work load factor is to be used as an appraisal system input. It is beyond the scope of this chapter to develop work load measurement criteria. As noted previously, there is no conflict between Theory Y and control by standards if the proper management philosophy is maintained. Part of this philosophy would require that the standards are rational for the particular situation. An unfair setting of standards would not motivate the field unit manager to develop full performance.

Management by Results

This input to the appraisal system could be established by implementing the procedures proposed by McConkey.¹⁴ This system only requires that the subordinate and the superior set some objectives that the subordinate will try to obtain during the next evaluation period. These objectives can be exclusive of financial data. For example, the field unit commanding officer and the district personnel officer could establish an objective of qualifying so many individuals for advancement. To meet the objective, the commanding officer would be required to establish an active training program. The subordinate in this example can influence how close he can come to meeting his objective by the enthusiasm he develops concerning the training program. Chapter VI utilizes management by results as the base for a suggested Coast Guard appraisal system.

¹⁴McConkey, "Measuring Managers by Results."

CHAPTER VI

RECOMMENDATIONS

Summary of Data Leading to the Development of a Managerial Philosophy and an Associated Organizational System

Chapter III summarized the managerial philosophies of several well known behavioral scientists. This background information is required to form a framework for the development of a Coast Guard organizational system and managerial philosophy that will establish an environment to foster development of superior managerial performance of individuals at decentralized field units.

Particular emphasis was placed on the assumptions comprising McGregor's Theory X and Theory Y. It is the author's belief that the Coast Guard joins the majority of business firms in generally subscribing to Theory X. However, the author believes that utilization of the assumptions comprising Theory Y would lead to the establishment of a managerial philosophy that would promote the most effective managerial performance. McGregor stated that:

. . . a number of applications of Theory Y in managing managers and professional people are possible today. Within the managerial hierarchy, the assumptions can be tested and refined, techniques can be invented and skill acquired in their use.¹

This thesis is directed towards the field unit managers within the Coast Guard organization. These individuals offer an excellent chance for implementation of an organizational system and management philosophy

¹McGregor, Human Side of Enterprise, p. 55.

based on Theory Y.

McGregor did not believe that Theory Y would work for all individuals. He noted that:

It is to be anticipated that some percentage of any employee group (perhaps on the order of 10 per cent) will not respond at all or will take advantage of such a strategy. For such people, the firm enforcement of limits, followed if necessary by dismissal, is the only feasible course.²

The emphasis through this paper has been the development of the individual, because it is believed that the individual will determine the success or failure of the organization. The Assistant Secretary of the Navy for Financial Management, Charles A. Bowsher noted that he expected the planning, programming and budgeting system would receive less emphasis in the future. He believes that the project manager will become the key to success rather than the system. Emphasis will be placed on who controls, not how to control.³

Attention was also directed, in Chapter III, to analyzing the various organizational systems proposed by the referenced authors. Utilization of one of these systems as a basis for development of a Coast Guard system would also require confidence in Theory Y assumptions. Theory Y assumes that an individual will give commitment to organizational goals if his needs and goals can be integrated with those of the organization. The systems that were analyzed assume that if an individual can influence the organization the chances for integration can be enhanced.

Summary of Data Leading to the Development of an Appropriate Appraisal System

Chapters IV and V presented background information that will be

²Ibid., p. 78.

³Lecture by Charles A. Bowsher, Assistant Secretary of the Navy for Financial Management, at George Washington University, 25 February 1969.

used to develop an appraisal system that will be in harmony with the adopted managerial philosophy. Chapter IV illustrated the errors associated with the present Coast Guard and industry appraisal systems, and suggested possible approaches that might be used to eliminate some of the inherent errors. Chapter V was concerned with insuring that inputs to a new appraisal system would be compatible with the philosophy expressed by the adopted organizational system.

Likert noted that:

The costs of building and maintaining an effective human organization are usually ignored in the accounting methods of most companies.⁴

This chapter will describe an appraisal system that will reward the individual who maintains an effective human organization. This will also require that evaluating officers become aware of indicators that show the condition of the human organization. Possibly the best indicator would be the re-enlistment rate.

Recommendations Concerning Organizational Systems and Managerial Philosophies

It is the author's opinion that if the Coast Guard wishes to develop effective managerial performance, a philosophy of management based on Theory Y assumptions must be instituted. The Coast Guard must adopt assumptions concerning individuals that would parallel those made by Schein when discussing the Self-Actualizing Man.⁵ These assumptions would include the following:

1. Man's motives fall into classes which are arranged in a hierarchy.

⁴Likert, New Patterns of Management, p. 86.

⁵Schein, Organizational Psychology, pp. 56-57.

2. Man seeks to be mature by accepting responsibility.
3. Man is primarily self-motivated and self-controlled.
4. There is no inherent conflict between satisfactory human needs and more effective organizational performance.

The implied managerial strategy for these assumptions would seek to integrate the needs of the individual with the needs of the organization. Likert's interaction-influence system offers the best opportunity for this integration. Likert's system would require that the field unit commanding officers be given an opportunity to influence their working environment. The vehicles for influencing the environment in Likert's system are overlapping groups. Likert notes that this system is weakest in a decentralized organization at the point between the headquarters and the field unit. This problem would also plague the system if used in the Coast Guard organization. However, in the author's opinion, Likert's system even at its weakest is probably stronger than any system now employed in the service to motivate field managers.

There are problems in forming effective work groups because of the distances between the field units and headquarters and because of operating schedules that must be met. These problems may prohibit the establishment of extremely effective work groups, but the goal of increasing managerial performance can probably be met with less than totally effective groups. Implementation of this system would require that field unit commanding officers be made members of as many district operating committees as possible. Giving field unit commanding officers a voice in policy formation does not lessen the influence of the district staff. Applying Lippitt's leadership continuum, one may realize that there are

situations that require authority be maintained by the superior; however, there are many situations that would permit a sharing of authority between the superior and the subordinate.

An operational group pattern of organization should be established, rather than the man-to-man pattern of organization. The man-to-man pattern permits a manager to benefit by making recommendations to his superior that would give the subordinate an advantage over his peers. The group pattern would promote solutions to problems affecting commanding officers of similar field units that would be in the best interest of all members of the group. Additionally, the operational group would offer a solution to some of the inherent problems in the present organization. As discussed in Chapter II, the policy of delegating supervision of field units to a manager two levels below the district commander causes difficulty. This manager will only be concerned with problems in his own area of specialization. However, the field unit manager will probably have other missions supervised by other district staff officers. Conflicts concerning which missions will receive priority and the problem of to which staff officer the commanding officer of the field unit will give allegiance could probably be rectified by use of an operational group. This grouping would consist of the commanding officers of similar type field units and staff officers who have supervision of any of the missions performed by the field units. Conflicts concerning mission priority could be solved at the group meeting. Problems pertaining to allegiance can be solved by removing the writing of fitness reports from the staff officers who are members of the operational group.

The use of an operational group will lengthen the time for decisions to be made, and will require considerable time from the various

staff officers. Therefore, the frequent use of this group would not be recommended. It could be utilized, for example, to set specific procedures within the general policy established by the district commander.

The group pattern of operation permits functioning along the right side of Argyris' Mix Model. Argyris believes that operation in this area of the continuum gives an individual more opportunities for psychological success. Psychological success, as previously noted, is a function of how well the organization provides opportunities for work in which the individual is able to define his immediate goals, define his own path to these goals, and relate these goals to the organization. An individual who perceives that he is able to influence the organizational environment will tend to integrate his goals with those of the organization.

The superior should adopt a supportive attitude towards his subordinates. Experiences are considered to be supportive when the individual perceives the experience as contributing to or maintaining his sense of personal worth and importance. Likert reports that work groups who have a supportive relationship with their superior maintain a high productivity level.⁶

Argyris also notes that the higher an individual's self-esteem, the greater the chance for psychological success.⁷ Self-esteem may be made higher by the establishment of a climate of trust and respect between the individual and the organization.

Summary of a Recommended Organizational System and Managerial Philosophy

Superiors must assume that commanding officers of field units

⁶ Likert, New Patterns of Management, pp. 6-12, 119-120, 124-128.

⁷ Argyris, Integrating the Individual, p. 29.

will be motivated to superior performance if the individual's goals can be integrated with those of the organization. An atmosphere of trust and respect must be established between the field unit commanding officer and his superior on the district staff. The superior should create a supportive relationship with his subordinates.

The field unit commanding officers should participate in as many district office work groups that operating schedules and travel time will permit.

Field units with several missions should be supervised by an operational work group composed of commanding officers of similar field units and district staff officers who have supervisory authority over any of the missions performed by the field units. This requires several groups. For example, one group may consist of the chief of the navigation branch and all commanding officers of buoy tenders. Another group may be composed of all group commanders and the staff officers supervising the aids to navigation mission, the search and rescue mission, and the law enforcement mission. These groups would establish objectives within the policy set by higher authority.

Recommendations Concerning an Appraisal System

It has been argued in this paper that an atmosphere of mutual trust and respect is necessary to promote superior managerial performance. The appraisal system designed to measure the improvement in managerial performance cannot destroy the atmosphere of trust or the motivation to continue to use superior performance would be destroyed.

Admiral McClelland noted that an organization has a need and a right to appraise employees. It would appear that this right is one of

the privileges granted to the organization as part of the psychological contract. The privileges granted to the individual by the psychological contract regarding evaluation would be a function of the type of contract established. If the organization used utilitarian authority, one might expect the employees, as McGregor noted,⁸ to exhibit widespread antagonism to the controls and to the superiors that administer the controls. If the organization utilized normative authority, one might expect the employees to desire to influence the appraisal system. These employees would anticipate that the appraisal system would give a fair representation of their actual performance. Anything less would tend to destroy any motivation to improve performance. Since the author has suggested that the Coast Guard adopt a normative use of authority, it would appear that an associated appraisal system should include subordinate participation and the employment of procedures to insure a fair evaluation. An appraisal by objectives seems to offer the best procedure for including these two conditions. Argyris reports the following findings concerning organizations that utilize a management objective system:

1. The performance appraisal sessions were frustrating to superior and subordinate.
2. Subordinates were frustrated because they discovered that their conception of their performance was less favorable than their superior's conception.
3. Superiors were frustrated because the subordinates were not responding adequately and gratefully for the praise given them. Every time the superior attempted to point out shortcomings of the subordinate he tended to receive defensive responses⁹

Argyris wonders how participation can have expected effects under conditions where the superior is in constant control over the out-

⁸ McGregor, The Professional Manager, p. 118.

⁹ Argyris, Integrating the Individual, p. 264.

come of the appraisal sessions as well as the subordinate's long range future in terms of wages, promotions, and job security?

McGregor noted that the role of judge and counselor were incompatible.¹⁰ Argyris reported:

. . . most therapists and counselors resist or refuse to have authority reporting relationships with those whom they hope to help. They find such relationships get in the way of establishing a helping relationship.¹¹

Likert states:

A significant increase occurred in the frequency and extent to which subordinates took problems and failures to a superior who served as a trainer, but made no evaluations of them and their performance.¹²

Since the author has recommended the Coast Guard adopt an appraisal by objective system, ways must be found to overcome the difficulties just discussed. Part of this solution would depend on what the Coast Guard wants to accomplish with the results from the appraisal system. Lieutenant Commander Sproat stated that the system should identify the outstanding performers for assignment to critical positions, and for accelerated promotion; identify the worst performers for counseling or separation from the service; and to provide a ranking system to determine who are the best qualified for promotion. Sproat also noted that counseling has not received adequate attention from evaluating superiors.

It may be argued that the Coast Guard, in listing nine graduations on the fitness report forms (see Appendix B), is trying for a classification which has too many graduations. McGregor believed the finest

¹⁰ McGregor, Human Side of Enterprise, p. 86.

¹¹ Argyris, Integrating the Individual, p. 264.

¹² Likert, New Patterns of Management, p. 54.

delineation that could be obtained from a personnel evaluation system was identification of the outstandingly good, the satisfactory and the unsatisfactory performers.¹³ Three categories on the Coast Guard form could satisfy two of the three outputs Sproat identified as desired. However, three categories would not permit enough graduations to rank officers in a best qualified listing. Additionally, Sproat believes there would be a greater grouping of officers into the middle category since evaluating superiors would know that placing an individual in the unsatisfactory category would probably have disastrous effects on the individual's career.

Too fine a delineation as now utilized by the Coast Guard places too much emphasis on a best qualified listing that is greatly affected by rater errors. If an individual received a series of "hard markers" early in his career, he is penalized in comparison to his peers who receive evaluations less affected by rater errors. The present promotion pattern in the Coast Guard can have a man selected for Lieutenant Commander before he reaches seven years longevity. Selection for most post-graduate training occurs before six years longevity. Men who have received evaluations with a strong error base are placed in a position of unfair competition when graded against peers who have not received evaluations with large rater errors. Admiral McClelland and Lieutenant Commander Sproat pointed out that the correction for rater error is time. Over the length of an individual's career, the individual in comparison with his peers will all approach having the same number of "hard" and "easy" markers. However, it may be possible to eliminate a substantial portion of rater error other than by length of time.

¹³McGregor, Human Side of Enterprise, p. 83.

It would appear that a committee, chaired by the district chief of staff, and having the chiefs of each division as members, could write fitness reports for commanding officers of field units. This would tend to prohibit individual rater error since the various members would moderate one another's biases. The group approach would also eliminate the condition of requiring one individual to be both judge and advisor. The staff officers on the operational work group would become advisors to the field unit commanding officers. These staff officers would report their observations of the field unit commanding officers to their superior, the chief of the operations division. The chief of operations would receive inputs from the staff officers and would weigh the various reports to develop the operations division's input to the fitness report writing group.

Each of the other divisions would meet with the field unit commanding officers to establish a set of objectives against which the individual will be judged. As discussed in Chapter V, financial data could be used to set objectives. How well the individual met each of these objectives would form each division's input to the fitness report group. This procedure eliminates the tendency of an individual to accede only to the provincial desires of the officer writing his evaluation. The field unit commanding officer is responsive to the desires of all district divisions since he has established objectives with all these divisions. There is a danger here. The field unit commanding officer must be permitted to influence the various objectives. This officer will be aware of the objectives he has set with the other divisions, and should be able to change any objectives that might be in conflict with previously established objectives. There will be a tendency for division

staff officers to insist upon their objectives while not being fully aware of the individual commanding officer's total set of objectives.

The existing evaluation system calls for fitness reports to be submitted semiannually at certain fixed dates. This could mean that an individual would be evaluated on as little as a sixty day observation period.¹⁴ The only submission requirement should be that appraisals be submitted at least every six months. A longer observation period would be desirable, but this is countered by the need for a minimum number of reports to be considered by promotion boards. This procedure would mean that six months after an individual became responsible for a unit, he would be evaluated on what he was able to accomplish. As noted previously, the field unit commanding officer and district staff officers would establish objectives. To determine a base for setting objectives, an inspection of the field unit would be made by the district staff officers every six months, and when the field unit commanding officer was transferred. One or two day inspections would not fully reveal the effects of the managerial performance of the field unit commanding officer. These inspections must be tempered with other information concerning the performance of the field unit commanding officer. Most importantly, these inspections would serve to acquaint the staff officers with the field unit and the field unit commanding officer.

The counseling of individuals could be accomplished by each division when the objectives for the next evaluation period were being set. This does require an individual to become supervisor and counselor. For example, the staff members of the operational group would counsel the

¹⁴U.S. Coast Guard, Commandant Instruction 1611.3A, Officer Fitness Reports.

individuals on how well they accomplish the established objectives. Since the staff officer did not write the individuals' fitness reports he does not have the conflicting roles of judge and counselor.

One of the recurring problems in an appraisal system is that the subordinate comes to believe that nothing happens as a result of the appraisal. A possible solution to this problem might be to have promotion boards advise each officer considered by the board on certain selected information. Perhaps the individual should be told his fitness report index, the value of the highest index that was not selected for promotion, and the value of the lowest index that was selected. Admiral McClelland believes that revealing too much information would hamper the promotion board. There is a grey area of indexes where individuals may be promoted or passed over. In this area, the considered opinion of the promotion board members determine who is promoted or passed over. The information revealed to each individual should not hamper the use of this considered opinion. Perhaps making officers aware of the procedures used by promotion boards would permit more dissemination of information without restricting the board. Lieutenant Mahan's article is an excellent education on this topic.¹⁵

Summary of a Recommended Appraisal System

Appraisals of field unit commanding officers should be written by a group consisting of the chief of staff as chairman, and having each division chief as a member. Each division chief would have an input to the field unit commanding officer's appraisal. This input would be how

¹⁵ Mahan, "Officer Promotion Boards."

well the individual met the objectives that were established by the commanding officer and the members of the division chief's staff.

Counseling of field unit commanding officers would be accomplished by members of the division chief's staff when the objectives for the next evaluation period were being set.

Group writing of fitness reports would tend to diminish rater bias. It is probably possible to lower rating errors even further if the number of graduations for rating performance were lowered. Individual preference now determines whether an individual receives an upper or lower good performance mark on his evaluation. (See Appendix B, item fourteen, performance factors.)

Restrictions Concerning Recommended Managerial Philosophies, Organizational and Appraisal Systems

The relative seniority of field unit commanding officers and various staff officers may present some problems. It would be unacceptable for a junior staff officer to counsel a senior field unit commanding officer. To rectify this problem, all appraisal functions would be moved up one managerial level. Division chiefs would set objectives with the field unit commanding officers, and the chief of staff would assume a counseling role.

The concept of overlapping working groups is valid for most sections of the Coast Guard. There are parts of the organization that would impose heavy restrictions on the use of groups. However, the author believes, conditions permitting, better performance will be obtained from all members of the organization if they can participate in group functions.

The managerial philosophy developed in this paper is recommended

for adoption regardless of whether the suggested organizational and appraisal systems are accepted. A managerial philosophy based on Theory Y recognizes the maturity and self-respect of human beings in the organization. Only by first recognizing these two qualities can the organization expect to increase performance.

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APPENDIX A.

DEPARTMENT OF TRANSPORTATION U. S. COAST GUARD CG-4328A (Rev. 12-67)		REPORT ON THE FITNESS OF LIEUTENANTS (JG), ENSIGNS AND WARRANT OFFICERS, W-1				REPORT CONTROL SYMBOL PO-5072													
THE OFFICER REPORTED ON WILL COMPLETE THE FIRST TWELVE SECTIONS																			
1. NAME (Last) (First) (Middle)			2. GRADE		3. STATUS INDICATOR		4. YEARS IN GRADE		5. SERVICE NUMBER										
6. UNIT			7. EXPERIENCE INDICATOR			8. DATE REPORTED PRESENT UNIT													
9. TYPE REPORT REGULAR <input type="checkbox"/> SPECIAL <input type="checkbox"/>		10. OCCASION FOR REGULAR REPORT SEMI-ANNUAL <input type="checkbox"/> DETACHMENT REPTG. OFFICER <input type="checkbox"/> DETACHMENT OF OFFICER <input type="checkbox"/> PROMOTION OF OFFICER <input type="checkbox"/>				11. PERIOD OF REPORT FROM TO													
12. DUTIES (List primary duties first, add watches and collateral duties. Indicate, after each, time spent in months during the reporting period. If assignment involves duties not well established, give outline of purpose, scope and significance of such duties. If necessary, use separate sheet. Personal or official reports of possible use to the reporting officer in evaluating your performance may be attached but should not be referenced. Include all periods in a PCS travel status. Include hospitalization in excess of two weeks.)																			
SIGNATURE OF OFFICER REPORTED ON																			
FOLLOWING TO BE FILLED IN BY REPORTING OFFICER																			
13. PERFORMANCE INFORMATION CONSIDERED IN COMPLETING THIS REPORT a. INFORMATION: Indicate for each method of appraisal used the quality of performance information considered in completing this report by marking an X in the appropriate marking box of each row.					QUALITY OF INFORMATION (Consider the frequency, relevancy, accuracy and scope of information.)														
					VERY GOOD	GOOD	LIMITED	NO SIGNIFICANT INFORMATION											
(1) Direct personal observation of the officer reported on and his accomplishments																			
(2) Indirect knowledge of officer reported on through written or oral reports																			
b. DOCUMENTATION: Append reports of outstanding or adverse performance and reference them in this space.																			
14. a. PERFORMANCE OF DUTIES. (Consider his performance in comparison with other officers of similar length of service in his grade and evaluate him in the factors by marking an "X" in the appropriate boxes O - OUTSTANDING, E - EXCELLENT, VG - VERY GOOD, G - GOOD, S - SATISFACTORY, I - INADEQUATE (Adverse) or NO - NOT OBSERVED. Line out items if conditions do not provide an opportunity for significant performance.)																			
	NO	O	E	VG	G	S	I		NO	O	E	VG	G	S	I				
1. Primary Duties									16. Considers ideas and suggestions of subordinates										
2. Collateral Duties									17. Keeps appropriate persons informed										
3. Watch Standing									18. Keeps accurate, up-to-date records										
4. Ship handling/airmanship									19. Takes share of undesirable duty										
5. Reaction to criticism or suggestions									20. Assumes responsibility in absence of superior										
6. Makes decisions									21. Works overtime when necessary										
7. Adjusts to new situations									22. Follows through and completes assignments										
8. Displays confidence									23. Teaches subordinates										
9. Gets along with peers									24. Corrects subordinates in a constructive manner										
10. Accepts responsibility for subordinates									25. Helps subordinates in welfare and morale problems										
11. Supports policies and actions of superiors									26. Praises subordinates when deserved										
12. Accepts responsibility for own work									27. Composure under pressure										
13. Meets commitments									28. Withholds judgment until he has necessary facts										
14. Observes lines of authority, both up and down									29. Self development in skills and knowledge										
15. Schedules own and subordinates' work									30. Originates new methods and devices										
b. OVERALL PERFORMANCE. (In comparison with other officers with similar length of service in his grade, evaluate his overall performance.)																			
NOT OBSERVED		OUT- STANDING		EXCEL- LENT		VERY GOOD		GOOD		SATISFACTORY		INADEQUATE (ADVERSE)							
		9		8		7		6		5		4		3		2		1	
Experienced distribution of marks for this item		5%		15%		25%		25%		15%		10%		5%					
ATTITUDE (Indicate your attitude toward having this officer under your command.)																			
PARTICULARLY DESIRE TO HAVE HIM		9		PREFER HIM TO MOST		7		BE PLEASED TO HAVE HIM		5		BE SATISFIED TO HAVE HIM		3		PREFER NOT TO HAVE HIM (ADVERSE)		1	
16. COMPARISON (In comparison with other officers of his grade how would you designate this officer?)																			
ONE OF THE FEW OUT- STANDING OFFICERS I KNOW		9		A VERY FINE OFFICER OF GREAT VALUE TO SERVICE		7		A DEPENDABLE AND TYPI- CALLY EFFECTIVE OFFICER		5		AN ACCEPTABLE OFFICER		3		UNSATISFACTORY (ADVERSE)		1	

APPENDIX B.

DEPARTMENT OF TRANSPORTATION U.S. COAST GUARD CG-328B (Rev. 12-67)		REPORT ON THE FITNESS OF COMMANDERS, LIEUTENANT COMMANDERS, LIEUTENANTS AND COMMISSIONED WARRANT OFFICERS				REPORT CONTROL SYMBOL PO-5072								
THE OFFICER REPORTED ON WILL COMPLETE THE FIRST TWELVE SECTIONS														
NAME (Last) (First) (Middle)			2. GRADE		3. STATUS INDICATOR		4. YEARS IN GRADE		5. SERVICE NO.					
			7. EXPERIENCE INDICATOR			8. DATE REPORTED PRESENT UNIT								
TYPE OF REPORT		10. OCCASION FOR REGULAR REPORT					11. PERIOD OF REPORT							
REGULAR <input type="checkbox"/> SPECIAL <input type="checkbox"/>		SEMI-ANNUAL <input type="checkbox"/> DETACHMENT REPTG. OFFICER <input type="checkbox"/> DETACHMENT OF OFFICER <input type="checkbox"/> PROMOTION OF OFFICER <input type="checkbox"/>					FROM TO							
DUTIES (List primary duties first, add watches and collateral duties. Indicate, after each, time spent in months during the reporting period. If assignment involves not well established, give outline of purpose, scope and significance of such duties. If necessary, use separate sheet. Personal or official reports of possible the reporting officer in evaluating your performance may be attached but should not be referenced. Include all periods in a PCS travel status. Include hospital- in excess of two weeks.)														
SIGNATURE OF OFFICER REPORTED ON														
FOLLOWING TO BE FILLED IN BY REPORTING OFFICER														
PERFORMANCE INFORMATION CONSIDERED IN COMPLETING THIS REPORT					QUALITY OF INFORMATION									
INFORMATION: Indicate for each method of appraisal used the quality of performance information considered in completing this report by marking an X the appropriate marking box of each row.					(Consider the frequency, relevancy, accuracy and scope of information.)									
					VERY GOOD	GOOD	LIMITED	NO SIGNIFICANT INFORMATION						
(1) Direct personal observation of the officer reported on and his accomplishments.														
(2) Indirect knowledge of officer reported on through written or oral reports.														
DOCUMENTATION: Append reports of outstanding or adverse performance and reference them in this space.														
PERFORMANCE OF DUTIES (In comparison with other officers with similar length of service in his grade, consider the requirements of his position and evaluate his performance.)														
PERFORMANCE FACTORS	NOT OBSERVED	OUT- STANDING PERFORM- ANCE	EXCELLENT PERFORM- ANCE	VERY GOOD PERFORM- ANCE IN MOST ASPECTS OF HIS POSITION. FREQUENTLY DEMON- STRATES EXCELLENT PERFORMANCE. HIGHLY QUALIFIED FOR HIS PRESENT POSITION.	GOOD PERFORMANCE IN MOST ASPECTS OF HIS POSITION. FREQUENTLY DEMONSTRATES VERY GOOD PERFORMANCE.		SATISFACTORY PERFORMANCE BASICALLY QUALIFIED		INADEQUATE (ADVERSE)					
Primary Duty		9	8	7	6	5	4	3	2	1				
Specialty <input type="checkbox"/>		9	8	7	6	5	4	3	2	1				
Subspecialty <input type="checkbox"/>														
Other <input type="checkbox"/>														
Collateral Duties specified in Section 12, above		9	8	7	6	5	4	3	2	1				
Management Effectiveness (Use of men, money and materials)		9	8	7	6	5	4	3	2	1				
Ability to Speak		9	8	7	6	5	4	3	2	1				
Ability to Write		9	8	7	6	5	4	3	2	1				
Overall Performance (Composite of items a. through f.)		9	8	7	6	5	4	3	2	1				
Experienced distr. of marks in g.		5%	30%	30%	20%	10%	4%	1%						
ATTITUDE (Indicate your attitude toward having this officer under your command.)														
ARTICULARLY DESIRE TO HAVE HIM		9	PREFER HIM TO MOST		7	BE PLEASED TO HAVE HIM		5	BE SATISFIED TO HAVE HIM		3	PREFER NOT TO HAVE HIM (ADVERSE)		1
COMPARISON (In comparison with other officers of his grade how would you designate this officer?)														
NONE OF THE FEW HIGHLY OUT- STANDING OFFICERS I KNOW		9	A VERY FINE OFFICER OF GREAT VALUE TO THE SERVICE		7	A DEPENDABLE AND TYPICALLY EFFECTIVE OFFICER		5	AN ACCEPTABLE OFFICER		3	UNSATISFACTORY (ADVERSE)		1

PERSONAL QUALITIES (In comparison with other officers with similar length of service in his grade, to what degree has this officer exhibited the following qualities?)									
LEADERSHIP Ability to accomplish assigned missions, goals and objectives; to improve overall operation through appropriate assignment and coordination of human and material resources, priorities and emphasis of effort; ability to make or									
HUMAN RELATIONS Ability to cooperate and establish good relations with public and with officers and men with whom he must work and live; ability to (in a humane, cooperative and morally responsible manner, ability and willingness to teach and help subordinates develop their full potential; ability to appropriate rewards or discipline to subordinates; ability to keep morale high;									
PROFESSIONAL KNOWLEDGE Knowledge of the service; knowledge of his tactical and subspecialty; knowledge of goals, missions, objectives and administration of the command to which he is assigned; knowledge of local government various organizations with which he may have to deal.									
JUDGMENT Ability to use his knowledge and training in solving both technical and practical problems; ability to distinguish between problems which require creative solutions and those problems which can be solved with routine solutions or which have multiple solutions; ability to distinguish between problems whose solutions are primarily based on ethical or traditional criteria versus technical or more objective criteria.									
FORCE Proper control of positive motivation; moral courage; loyalty to officers and subordinates; loyalty to service and country; ability to take initiative; ability to run counter to his own.									
INITIATIVE Motivated to make his unit and the Coast Guard the best possible developing, adapting and implementing worthwhile ideas, innovations and new programs, especially in his specialty area. Strives to engender, in his subordinates, qualities of initiative and a willingness to accept change.									
Overall evaluation of personal qualities.									
Composite of a through f.									
Experienced distribution of marks in item g.									
Mark the officer on following factors only if his performance with regard to one or more of the factors is well below average (minor deficiency) or adverse. Explain in Section 19.									
COMMENTS (In this section a general appraisal of the officer should be developed which will integrate and round out the evaluations made elsewhere on this form. State any notable accomplishments including original and constructive professional work. Any minor deficiencies or adverse material contained in this report must be stated upon in this section. If necessary, use separate sheet and attach to this form.)									
What has been the trend of his performance since your last report?									
FIRST REPORT <input type="checkbox"/> IMPROVING <input type="checkbox"/> STEADY <input type="checkbox"/> DECLINING <input type="checkbox"/>									
MINOR DEFICIENCIES (Check if appropriate)									
his report contains minor deficiencies and the officer reported on has been either counseled or informed.									
ADVERSE (Check if appropriate. An adverse report must be referred to the officer reported on for comment. His statement, together with your endorsement, should be attached to this report.)									
his report contains an adverse evaluation. It has been referred to the officer reported on and his statement, together with my endorsement, is attached.									
OFFICER									
DATE									
SIGNATURE									
GRADE									
SERVICE NO.									
TITLE OF POSITION									
COMPLETENESS ONLY									
COMMENTS ATTACHED									

APPENDIX C.

DEPARTMENT OF TRANSPORTATION U.S. COAST GUARD CG-4328C (Rev. 12-67)		REPORT ON THE FITNESS OF ADMIRALS AND CAPTAINS				REPORT CONTROL SYMBOL PO-5072				
THE OFFICER REPORTED ON WILL COMPLETE THE FIRST TWELVE SECTIONS										
(Last)		(First)		(Middle)		2. GRADE	3. STATUS INDICATOR	4. YEARS IN GRADE	5. SERVICE NO.	
				7. EXPERIENCE INDICATOR		8. DATE REPORTED PRESENT UNIT				
9. TYPE OF REPORT REGULAR <input type="checkbox"/> SPECIAL <input type="checkbox"/>		10. OCCASION FOR REGULAR REPORT SEMI-ANNUAL <input type="checkbox"/> DETACHMENT REPTG. OFFICER <input type="checkbox"/> DETACHMENT OF OFFICER <input type="checkbox"/> PROMOTION OF OFFICER <input type="checkbox"/>				11. PERIOD OF REPORT FROM _____ TO _____				
ASSIGNMENT (Provide a brief resume of your assignment during this reporting period. Personal or official reports of possible use to the reporting officer in evaluating performance may be attached but should not be referenced. Include all periods in a PCS travel status. Include hospitalization in excess of two weeks.)										
SIGNATURE OF OFFICER REPORTED ON _____										
FOLLOWING TO BE FILLED IN BY REPORTING OFFICER										
PERFORMANCE INFORMATION CONSIDERED IN COMPLETING THIS REPORT INFORMATION: Indicate for each method of appraisal used the quality of performance information considered in completing this report by marking an X in the appropriate marking box of each row.				QUALITY OF INFORMATION (Consider the frequency, relevancy, accuracy and scope of information.)						
				VERY GOOD	GOOD	LIMITED	NO SIGNIFICANT INFORMATION			
Direct personal observation of the officer reported on and his accomplishments.										
Indirect knowledge of officer reported on through written or oral reports.										
DOCUMENTATION: Append reports of outstanding or adverse performance and reference them in this space.										
PERFORMANCE OF DUTIES (In comparison with other officers with similar length of service in grade, consider the requirements of his position and evaluate his performance.)										
PERFORMANCE FACTORS	NOT OBSERVED	OUTSTANDING PERFORMANCE, DEMONSTRATES UNUSUAL ABILITY TO FILL POSITIONS OF HIGHEST RESPONSIBILITY AND AUTHORITY. MOST HIGHLY QUALIFIED.		EXCELLENT PERFORMANCE IN MOST ASPECTS OF HIS POSITION. FREQUENTLY DEMONSTRATES OUTSTANDING PERFORMANCE. WELL QUALIFIED TO FILL POSITIONS OF HIGHEST RESPONSIBILITY AND AUTHORITY.		VERY GOOD PERFORMANCE IN MOST ASPECTS OF HIS POSITION. FREQUENTLY DEMONSTRATES EXCELLENT PERFORMANCE. HIGHLY QUALIFIED FOR HIS PRESENT POSITION.		GOOD PERFORMANCE IN MOST ASPECTS OF HIS POSITION. FREQUENTLY DEMONSTRATES VERY GOOD PERFORMANCE.		INADEQUATE (ADVERSE)
Primary Duty		9	8	7	6	5	4	3	2	1
Management		9	8	7	6	5	4	3	2	1
Planning		9	8	7	6	5	4	3	2	1
Accomplishments		9	8	7	6	5	4	3	2	1
Government/Inter-Service/ Public Relations		9	8	7	6	5	4	3	2	1
Overall Performance Composite of a. through e.		9	8	7	6	5	4	3	2	1
Experienced distr. of marks in f.		10%	30%	35%	15%	5%	3%	2%		
ATTITUDE (Indicate your attitude toward having this officer under your command.)										
PARTICULARLY DESIRE TO HAVE HIM <input type="checkbox"/>		PREFER HIM TO MOST <input type="checkbox"/>		BE PLEASED TO HAVE HIM <input type="checkbox"/>		BE SATISFIED TO HAVE HIM <input type="checkbox"/>		PREFER NOT TO HAVE HIM (ADVERSE) <input type="checkbox"/>		
COMPARISON (In comparison with other officers of his grade, how would you designate this officer?)										
THE VERY BEST I KNOW <input type="checkbox"/>		ONE OF THE FEW HIGHLY OUTSTANDING OFFICERS I KNOW <input type="checkbox"/>		A VERY FINE OFFICER OF GREAT VALUE TO THE SERVICE <input type="checkbox"/>		A DEPENDABLE AND TYPICALLY EFFECTIVE OFFICER <input type="checkbox"/>		BARELY ACCEPTABLE, IS NOT QUALIFIED AT HIS LEVEL (ADVERSE) <input type="checkbox"/>		

PERSONAL QUALITIES (In comparison with other officers with similar length of service in his grade, to what degree has this officer exhibited the following qualities?)

LEADERSHIP	ABILITY TO PLAN, DIRECT AND GUIDE THE DEVELOPMENT AND MANAGEMENT OF THE SERVICE; ABILITY TO SOLVE COMPLEX PROBLEMS OF HIGHEST MANAGE- MENT; ABILITY TO INSPIRE CONFIDENCE.	9	8	7	6	5	4	3	2	1	ADVERSE
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HUMAN RELATIONS	ABILITY TO ESTABLISH GOOD RELATIONS WITH THE HIGHEST OFFICIALS OF NATIONAL, LOCAL AND SERVICE LEADERSHIP; ABILITY AND POISE IN MEETING OFFICIALS OF SUBORDINATES; INTEREST IN THE PERSONAL WELFARE AND DEVELOP- MENT OF SUBORDINATES; INTEREST IN SERVICE POLICIES AND PROGRAMS HAVING TO DO WITH INDIVIDUAL WELFARE AND DEVELOPMENT; ABILITY TO LEAD IN A HUMAN, COOPER- ATIVE AND MORALLY RESPONSIBLE MANNER.	9	8	7	6	5	4	3	2	1
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PROFESSIONAL KNOWLEDGE	KNOWLEDGE OF THE SERVICE, ITS ROLES AND FUNCTIONS; KNOWLEDGE OF THE COMMAND TO WHICH HE IS ASSIGNED; KNOWLEDGE OF SERVICE'S RELATIONSHIP WITH INTERNATIONAL, NATIONAL, STATE AND LOCAL GOVERNMENTS, OTHER ARMED SERVICES AND FEDERAL AGENCIES, PRIVATE INDUSTRY AND BUSINESS AND WITH VARIOUS OTHER ORGANIZATIONS WITH WHICH HE MAY HAVE TO DEAL.	9	8	7	6	5	4	3	2	1
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JUDGMENT	ABILITY TO RECOGNIZE AND SELECT THE IMPORTANT PROBLEMS FOR CONSIDERATION; ABILITY TO COMBINE INTELLIGENCE, KNOWLEDGE, A SENSE OF THE POSSIBLE AND COMMON SENSE OF THE PRACTICAL IN GUIDING THE MANAGEMENT OF THE SERVICE.	9	8	7	6	5	4	3	2	1
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FORCE	PROPER CONTROL OF POSITIVE MOTIVATION; MORAL COURAGE; LOYALTY TO DUTY AND SUBORDINATES; LOYALTY TO SERVICE AND COUNTRY; ABILITY TO TAKE DECISIONS THAT RUN COUNTER TO HIS OWN INTERESTS; COURAGE OF HIS CONVICTIONS BUT WILLINGNESS TO ABIDE BY AND LIVE WITH THE CONSEQUENCES OF HIS DECISIONS.	9	8	7	6	5	4	3	2	1
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INITIATIVE	MOTIVATED TO INCREASE THE COAST GUARD'S CONTRIBUTIONS TO THE NATION BY INTRODUCING AND IMPLEMENTING WORTHWHILE IDEAS, INNOVATIONS AND NEW DEVELOPMENTS, BOTH HIS OWN AND THOSE OF SUBORDINATES. ABILITY TO FOLLOW THROUGH AND CONTROL THE DIRECTION, RATE AND EFFECT OF ACTIONS WHICH HE HAS INITIATED.	9	8	7	6	5	4	3	2	1
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OVERALL EVALUATION OF PERSONAL QUALITIES	COMPOSITE OF A, THROUGH F.	9	8	7	6	5	4	3	2	1
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Explain in Section 19, Mark the officer on following factors only if his performance with regard to one or more of the factors is well below average (minor deficiency) or adverse.

ADVERSE	ADVERSE	ADVERSE	ADVERSE	ADVERSE	ADVERSE	ADVERSE	ADVERSE	ADVERSE	ADVERSE	ADVERSE	ADVERSE
---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------	---------

COMMENTS (In this section a general appraisal of the officer should be developed which will integrate and round out the evaluations made elsewhere on this form. Cite any notable accomplishments including original and constructive professional work. Any minor deficiencies or adverse material contained in this report must be noted upon in this section. If necessary, use separate sheet and attach to this form.)

What has been the trend of his performance since your last report?
FIRST REPORT ☐ IMPROVING ☐ STABLE ☐ DECLINING ☐

MINOR DEFICIENCIES (Check if appropriate)
☐ This report contains minor deficiencies and the officer reported on has been either counseled or informed.

ADVERSE (Check if appropriate. An adverse report must be referred to the officer reported on for comment. His statement, together with your endorsement, should be attached to this report.)
☐ This report contains an adverse evaluation. It has been referred to the officer reported on and his statement, together with your endorsement, is attached.

OFFICER	DATE	SIGNATURE	GRADE	SERVICE NO.	TITLE OF POSITION
PREPARING					
REPORTING					
REVIEWING					

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Developing managerial potential and eval



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